

Press Release

Vivo Bio Tech Limited

April 27, 2022

Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	-	ACUITE A3 Assigned
Bank Loan Ratings	54.69	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	56.69	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B Minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 56.69 Cr bank facilities of VIVO BIO TECH LIMITED (VBTL). The outlook is '**Stable**'.

The rating assigned favourably factors in its experienced promoters and management, Moderate debt protection metrics and capital structure, and recent geographical expansion. The rating however is constrained by Moderate level of Working capital management and Susceptibility to regulatory changes and increasing competition.

About the Company

Vivo Bio Tech Limited ['VBTL'] was incorporated in 1987. It is a BSE listed company having registered office at Siddipet District, Medak, Telangana. The company is engaged in sale of products, namely, Specific Pathogen Free Mice/Rats & Guinea Pigs, Lab Animal Diets, Lab Animal Serum/Plasma and Stem Cells & Media. The company also offers services in the areas of in-vivo & in-vitro toxicity studies, pharmacological investigations, pharmacokinetic & toxicokinetic studies, genotoxicity screening, analytical services etc. The company's 1,50,000 square feet research facility is located at Pregnapur village, Gajwel mandal, Siddipet district, Telangana.

The facilities of the company are accredited from Association for Assessment and Accreditation of Laboratory Animal Care (AAALAC), Organization for Economic Co-operation & Development (OECD) GLP from National Good Laboratory Practice (GLP), Central Insecticides Board & Registration Committee (CIB&RC), National Accreditation Board for Testing and Calibration Laboratories (NABL) and Control & Supervision of Experiments on Animals (CPCSEA). The company has also received ISO 9001:2015 Certification for Quality Management System.

Mr. Sunder K, Mr. Kalyan Ram M, Dr. A Sankaranarayanan, Mrs. Kunda Kalpana, Mr. Hariharan R, Mr. Srikalyan Kompella and Mr. K S Nayak are the directors of the company.

Analytical Approach

For arriving at the ratings, Acuité has considered the standalone business and financial risk profile of VBTL.

Key Rating Drivers

Strengths

- **Experienced management and established track record**

The company's senior management comprises qualified and experienced personnel with long business experience. The company was established in 1987 and has a track record of over three decades. Over the years, it has been able to establish stable relationships with reputed customers and suppliers. The company has a large clientele base of around 190 entities spread across the pharma, biotech, vaccines, CRO and research organisations. Acuité believes that the company will continue to derive benefit from its promoter's experience, its established presence and increasing scale of operations providing moderate revenue visibility in medium term

- **Moderate debt protection metrics and capital structure**

VBTL'S financial risk profile is moderate, marked by a moderate Net worth and gearing along with moderate debt protection metrics. The operating income of the company stood at Rs. 51.78 Cr in FY2021 from Rs. 55.35 Cr in FY2020 and Rs. 55.83 Cr in FY2019. Operating profitability i.e. EBITDA margin has seen increased trend from 17.04% in FY2019 to 34.40% in FY2021. Net Profit margin has been increased to 10.98% in FY2021. The Company's net worth stood at Rs. 31.21Cr as on March 31, 2021 as against Rs. 26.66 Cr as on March 31, 2020, marked by moderate profitability. Gearing levels (debt-to-equity) stood at 0.92 times as on March 31, 2021 as against 0.83 times as on March 31, 2020. Further, the interest coverage ratio stood at 4.87 times for FY2021. Total outside liabilities to total net worth (TOL/TNW) stood at 1.11 times as on FY2021 vis-à-vis 1.01 times as on FY2020. Acuité expects the financial risk profile to remain moderate over the medium to long term period on account of moderate capital structure and stable operations of the company

- **Expansion in Vizag (AP) to enhance growth in total operating income**

VBTL has recently executed a lease deed with with Andhra Pradesh Med Tech Zone Limited for setting up a new facility at Andhra Pradesh Med Tech Zone (AMTZ) Campus, Pragati Maidan, Visakhapatnam, Andhra Pradesh. VBTL currently doesn't have capacity in large animals. The new facility shall add Pigs and Canines to VBTL's small animal portfolio. The new facility, when fully functional can hold upto 178 large animals. This new acquisition will complete Biology portfolio of VBTL. Currently, VBTL is offering services related to In-vitro studies, In-vivo studies, Physico-chemical studies, Regulatory and non-regulatory toxicology, Pharmacology, ADME, DMPK studies and sale of SPF rats and mice, Guinea Pigs and Rabbits and diagnostic services. The new addition will add medical device testing, DMPK, regulatory and nonregulatory toxicology testing services on large animals. Operations is expected to commence from October 2022, however in July 2022, the company will start importing large animals from China. Acuité believes that the company will continue to derive benefit from its new facility, and will lead to increasing scale of operations providing healthy revenue visibility in medium term.

Weaknesses

- **Moderate level of Working capital management**

The working capital management of company remained moderate with Gross Current Assets (GCA) days at 192 days as on March 31, 2021 as against 178 days as on March 31, 2020. The increase in GCA days is on account of holding high inventory .The inventory days stood at 143 days as on March 31, 2021 as against 90 days as on March 31, 2020.

The debtors' days of the company ranges from 51-60 days. creditor days which decreased to 70 days as on March 31, 2021 from 167 days as on March 31, 2020, because one of the major creditor was US based company so vivo bio tech limited had paid the full amount and final settlement has done with the US based company, this has shown an impact in decreasing the creditor days.

- **Susceptibility to regulatory changes and increasing competition**

Clinical research industry is fragmented and highly competitive. Many contract research organizations (CROs) have entered into the Indian market to grab the opportunity created due to outsourcing of contract research activities to India by the large global pharmaceutical companies. The industry is highly regulated one needing pre-approvals, site inspections, certifications and accreditations from various government authorities and industry self-regulatory organizations. The company is exposed to inherent risks associated with Clinical Research industry and increasing regulatory requirements for preclinical data in support of clinical trials.

Rating Sensitivities

Positive

- Higher-than-expected Improvement in the scale of operations and profitability as envisaged.
- Sustainable improvement in Leverage and Solvency position of the company.
- Sustainable improvement in Gross current assets (GCA) days.

Negative

- Any deterioration in working capital cycle and liquidity profile of the company.
- Any deterioration in Revenue profile and leverage position of the company.
- Anyweakening of financial risk profile of the company.

Material covenants

None

Liquidity Position: Adequate

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 11.28 Cr for FY2021 as against Rs. 9.62 Cr of repayment obligations for the same period. The company maintains unencumbered cash and bank balances of Rs. 0.10 Cr as on 31st March 2021. The current ratio of the company stood moderate at 1.20 times as on March 31, 2021. The company has an average bank limit utilization of around at 86 percent during the last 12 months period ended December 2021.

Outlook: Stable

Acuité believes that VBTL rating will maintain a 'Stable' outlook over the medium term on account of long track record of operations, experienced management in the industry. The outlook may be revised to 'Positive' if the company registers sustainable improvement in sales volumes and improvement in realizations of the products offered leading to higher-than expected revenues and profitability with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case VBTL registers lower-than expected revenues and profitability or any significant stretch in its working capital management leading to deterioration of its financial risk profile and liquidity

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	51.78	55.35
PAT	Rs. Cr.	5.68	4.44
PAT Margin	(%)	10.98	8.03
Total Debt/Tangible Net Worth	Times	0.92	0.83
PBDIT/Interest	Times	4.87	4.04

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument<https://www.acuite.in/view-rating-criteria-55.htm>**Rating History:**

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.01	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	10.00	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Term Loan	08-09-2021	Not available	08-03-2028	25.00	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	07-05-2022	0.16	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Term Loan	07-07-2020	Not available	07-07-2024	2.21	ACUITE BBB- Stable Assigned
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	7.31	ACUITE BBB- Stable Assigned

[" Facility of Rs. 17.31 Cr has been split into Rs. 10Cr and Rs. 7.31 Cr"]

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About Acuité Ratings & Research

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