



Press Release
Vivo Bio Tech Limited
November 22, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	54.69	ACUITE BBB- Negative Reaffirmed	-
Bank Loan Ratings	2.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	56.69	-	-

Rating Rationale

Acuite has reaffirmed 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 crore bank facilities of VIVO BIO TECH LIMITED (VBTL). The outlook is '**Negative**'.

Rationale for the rating

The rating reaffirmation takes into consideration of miniscule decline in the operating performance and margin in H1FY2024 of VBTL. The company reported Rs.20.84 Cr in H1FY2024 as compared to Rs.23.80 Cr in H1FY2023. The outlook continues to be negative which is driven by stretched liquidity position of the company marked by elongated working capital cycle and high bank limit utilisation. The gross current asset days of the company rose to 230 days as on March 31, 2023 as against 183 days as on March 31, 2022. The rating continues to derive strength from experienced management and established track record and moderate financial risk profile. Going forward, the company's ability to restrict the elongation in its working capital cycle and improve scale of operations while maintaining its profitability margins and capital structure will remain a key rating monitorable.

About the Company

Vivo Bio Tech Limited ('VBTL') was incorporated in 1987. It is a BSE listed company with its 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 Company has recently executed a lease deed with Andhra Pradesh Med Tech Zone Limited for setting up a new facility at Andhra Pradesh Med Tech Zone (AMTZ) Campus. The company has a large clientele base of around 190 entities spread across the pharma, biotech, vaccines, CRO, and research organizations. 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 established 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 organizations. The operating income of the company stood at Rs.52.23 Cr in FY2023 from Rs. 51.39 Cr in FY2022 and Rs. 51.78 Cr in FY2021. Operating profitability i.e. EBITDA margin has increased from 31.31% in FY2022 to 41.17% in FY2023. Further, in October, 2022 the company commenced operations a new facility at Vishakhapatnam, Andhra Pradesh for breeding small animals and is planning to start a new facility to breed larger animals October, 2023 onwards.

Acuité believes that the company will continue to derive benefit from its promoter's experience, its established presence and generate benefits from these new facilities to increase its scale of operations over the medium term.

In H1FY2024, the company's revenue and operating profitability margins stood at Rs.20.84 Cr and 46.03% respectively as against Rs.23.80 Cr and 44.82% for the same period last year.

Moderate financial risk profile

VBTL'S financial risk profile is moderate, marked by an improving net worth, gearing and moderate debt protection metrics. The Company's net worth stood at Rs.41.07 Cr as on March 31, 2023 as against Rs.33.52 Cr as on March 31, 2022, on account of accretion of profits to reserves. Gearing levels (debt-to-equity) stood at 1.46 times as on March 31, 2023 as against 1.95 times as on March 31, 2022. Further, the interest coverage ratio stood at 2.81 times for FY2023 as against 3.79 times for FY2022. Total outside liabilities to total net worth (TOL/TNW) stood at 1.68 times as on FY2023 vis-à-vis 2.18 times as on FY2022. 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.

Weaknesses

Working capital intensive operations

The working capital management of company remained intensive with Gross Current Assets (GCA) days at 230 days as on March 31, 2023 as against 183 days as on March 31, 2022. The increase in GCA days is on account of high debtors and Other current assets. Debtor days has stood at 87 days in March 31, 2023 against 85 days in March 31, 2022. The inventory days slightly improved and stood at 95 days as on March 31, 2023 as against 101 days as on March 31, 2022. Inventory of the company includes Live Stock, Animal Feed, Stores & Spares. The creditors' days improved and stood at 51 days in FY2023 against 74 days in FY2022. The bank limit of the VBTL is highly utilised. The consolidated utilisation level of Fund based limits is 97.40 percent as on twelve months ending March 2023.

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 large global pharmaceutical companies. The industry is highly regulated, as it needs preapprovals, site inspections, certifications and accreditations from various government authorities and industry selfregulatory 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

- Improvement in scale of operations while maintaining its profitability and capital

structure

- Reduction in working capital cycle subsequently easing the liquidity position of the company

All Covenants

None

Liquidity: Stretched

The company has stretched liquidity with high bank limit utilisation of 97.40 percent for the last twelve months ended March, 2023 and elongated working capital cycle. The gross current asset days stood at 230 days as on March 31, 2023. However, VBTL has adequate net cash accruals against its repayment obligations. VBTL generated net cash accruals of Rs.11.91 crore in FY2023, and Rs.9.64 crore in FY2022 against the repayment obligations of Rs.6.44 crore in FY2023 and Rs.4.38 crore in FY2022. It is expected to generate net cash accruals in the range of Rs.11.91-12.23Cr in FY2024-25 against repayment obligations of Rs.6.11 - 6.96 Cr for the same period. The company maintains Unencumbered cash and bank balances stood at Rs.0.99 crore as on March 31, 2023 and liquid investments stood at Rs.0.04 crore as on March 31, 2023. The current ratio stood average at 1.29 times ended with March 31, 2023.

Outlook: Negative

Acuité has revised the outlook on VBTL to 'Negative' is driven by elongation in the working capital, deterioration in the liquidity levels and decline in coverage indicators. The rating may be 'downgraded' if there further deterioration in working capital cycle or lower than expected improvement in the scale of operations and profitability. The outlook may be revised to 'Stable ' if company is able to improve its liquidity profile or improve its scale of operations and profitability while maintaining its working capital cycle and capital structure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	52.23	51.39
PAT	Rs. Cr.	2.65	2.20
PAT Margin	(%)	5.07	4.29
Total Debt/Tangible Net Worth	Times	1.46	1.95
PBDIT/Interest	Times	2.81	3.79

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>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 Jul 2023	Term Loan	Long Term	3.03	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	23.95	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	1.26	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	0.67	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	13.98	ACUITE BBB- Negative (Reaffirmed)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Secured Overdraft	Long Term	1.80	ACUITE BBB- Negative (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB- Negative (Reaffirmed)
27 Apr 2022	Term Loan	Long Term	25.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.21	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	0.01	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.16	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	7.31	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A3 Reaffirmed
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB- Negative Reaffirmed
South Indian Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	1.80	ACUITE BBB- Negative Reaffirmed
Godrej Finance Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.67	ACUITE BBB- Negative Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.03	ACUITE BBB- Negative Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.26	ACUITE BBB- Negative Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	23.95	ACUITE BBB- Negative Reaffirmed
Canara Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	13.98	ACUITE BBB- Negative Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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