



Press Release
VIVO BIO TECH LIMITED
August 20, 2024
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 reaffirmation of rating and outlook

The rating reaffirmation takes into consideration the moderate decline in operating revenue and PAT for Q1FY2025 compared to Q1FY2024. Further, the operating margin of the company improved in FY2024 and continued in Q1FY2025. The rating continues to draw comfort from the experience management and moderate financial risk profile.

Going forward, the company's ability to restrict the elongation in its working capital cycle and improve the 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.

Unsupported Rating

Not Applicable

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.44.88 Cr. in FY2024, Rs.52.23 Cr. in FY2023 and Rs. 51.39 Cr. in FY2022. Operating profitability i.e. EBITDA margin has increased from 31.31% in FY2022 to 41.17% in FY2023 and further to 46.98% in FY2024.

In Q1FY2025, the company's revenue and operating profitability margins stood at Rs.10.13 Cr. and 43.18% respectively as against Rs.11.58 Cr. and 39.72% for the same period last year.

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.

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.46.28 Cr. as on March 31, 2024 as against Rs.41.07 Cr. as on March 31, 2023, on account of accretion of profits to reserves. Gearing levels (debt-to-equity) stood at 1.53 times as on March 31, 2024 as against 1.47 times as on March 31, 2023. Further, the interest coverage ratio stood at 2.72 times for FY2024 as against 2.82 times for FY2023. Total outside liabilities to total net worth (TOL/TNW) stood at 1.74 times as on FY2024 vis-à-vis 1.68 times as on FY2023.

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 392 days as on March 31, 2024 as against 230 days as on March 31, 2023. The increase in GCA days is on account of high debtors, inventory and Other current assets. Debtor days has stood at 92 days in March 31, 2024 as against 87 days in March 31, 2023. The inventory days deteriorated and stood at 135 days as on March 31, 2024 as against 95 days as on March 31, 2023. Inventory of the company includes Live Stock, Animal Feed, Stores & Spares. 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 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

- 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

Liquidity Position: Stretched

The company has stretched liquidity with high bank limit utilisation and elongated working capital cycle. The gross current asset days stood at 392 days as on March 31, 2024. However, VBTL has adequate net cash accruals against its repayment obligations. VBTL generated net cash accruals of Rs.11.81 Cr. in FY2024, and Rs.11.92 Cr. in FY2023 against the repayment obligations of Rs.7.71 Cr. in FY2024 and Rs.6.44 Cr. in FY2023. It is expected to generate net cash accruals in the range of Rs.12.08 - 12.98 Cr. in FY2025 and FY2026 against repayment obligations of Rs.7.98 Cr. for the same period. The company maintains Unencumbered cash and bank balances stood at Rs.1.32 Cr. as on March 31, 2024 and liquid investments stood at Rs.0.04 Cr. as on March 31, 2023. The current ratio stood average at 1.25 times ended with March 31, 2024.

Outlook: Negative

Acuité has maintained 'Negative' outlook on VBTL which 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 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	44.88	52.23
PAT	Rs. Cr.	2.52	2.65
PAT Margin	(%)	5.62	5.08
Total Debt/Tangible Net Worth	Times	1.53	1.47
PBDIT/Interest	Times	2.72	2.82

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
22 Nov 2023	Bank Guarantee/Letter of Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	10.00	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	1.26	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	23.95	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	13.98	ACUITE BBB- Negative (Reaffirmed)
	Secured Overdraft	Long Term	1.80	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	0.67	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	3.03	ACUITE BBB- Negative (Reaffirmed)
11 Jul 2023	Cash Credit	Long Term	10.00	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	1.26	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	23.95	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	13.98	ACUITE BBB- Negative (Reaffirmed)
	Secured Overdraft	Long Term	1.80	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	0.67	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	3.03	ACUITE BBB- Negative (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	2.00	ACUITE A3 (Reaffirmed)
27 Apr 2022	Term Loan	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	7.31	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	25.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.16	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	2.21	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.01	ACUITE BBB- Stable (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	2.00	ACUITE A3 (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 avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A3 Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	10.00	ACUITE BBB- Negative Reaffirmed
South Indian Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.80	ACUITE BBB- Negative Reaffirmed
Godrej Finance Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.67	ACUITE BBB- Negative Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.03	ACUITE BBB- Negative Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.26	ACUITE BBB- Negative Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	23.95	ACUITE BBB- Negative Reaffirmed
Canara Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.98	ACUITE BBB- Negative Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Thejaswini P V Manager-Rating Operations Tel: 022-49294065 thejaswini.pv@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.