



Bal Pharma Limited

To,
The BSE Limited
Mumbai.

22.02.2022

National Stock Exchange of India Ltd
Mumbai.

Dear Sir,

Sub : Credit Rating Action by Acuite.

Ref : Regulation 30 of SEBI(LODR) Regulations,2015.

With reference to the above, Acuite has upgraded the credit ratings of the Company as follows.

Sl No	Instrument	Rating Action
01	Long Term Fund based facilities	Upgraded to ACUITE BBB- stable from (ICRA) BB+ positive.
02	Short term Non fund based facilities.	Upgraded to ACUITE A3 from (ICRA) A4+ .
03	Long term-Term Loan	Upgraded to ACUITE BBB- stable from (ICRA) BB+ positive.

The credit rating agency has considered the following material event's for upgradation of the credit rating.

1. Sound Business Profile

Bal Pharma Ltd (BAL) has three business segments namely API, formulation and Ayurveda with 52%,47% and 1% contribution to revenue. Moreover the group has a diversified product profile that includes 200 generic formulations in 20 different therapeutic segments and 150 APIs. The group caters to both regulated and semi-regulated markets. Currently the group has presence in 80 countries which includes USA, UK, Australia, European nations and Ethiopia among others. The group has five operational manufacturing units across India. In addition, the company's facilities have received approvals from different regulators such as USFDA, EU GMP, WHO GMP among others. BAL has qualified under GOI's production linked incentive scheme (PLI) and is expected to receive incentives of around Rs 50 Cr over the medium term. This will help the group to improve its overall business and financial risk profiles over medium term.

2. Average financial risk profile

The financial risk profile of the group is marked by moderate net worth, high gearing and comfortable debt protection metrics. The net worth of the group stood at Rs. 42.28 Cr in FY2021 as compared to Rs.35.08 Cr in FY2020. The gearing of the group stood at 2.60 times as on March 31, 2021 as compared to 3.38 times as on March 31, 2020 due to additional capital infusion.

The group has a high reliance on working capital limit because of high working capital requirement. TOL/TNW stood at 4.42 times in FY21 as against 5.50 times in FY20. Interest coverage ratio (ICR) stood comfortable at 2.12 times in FY2021 as against 0.54 times in FY 2020. The debt service coverage ratio (DSCR) stood at 1.48 times in FY2021 as against 0.37 times in FY2020. The net cash accruals against total debt (NCA/TD) stood at 0.13 times in FY2021 as compared to negative 0.04 times in previous year. Acuité believes the financial risk profile of the group will improve over the medium term backed by expected receipt of incentives from GOI under PLI scheme and gradual repayment of term loans.

3. Improvement in scale of operation and profitability margin

The group had witnessed healthy revenue growth as revenue stood at Rs 251.14 Cr in FY21 as against Rs 171.57 Cr in FY20. This improvement is driven by increase in sale of API because of high demand from overseas markets. The scale of operation is likely to improve in FY22 as the group has posted revenue of Rs 138 Cr in H1FY22 as against Rs 116 Cr in H1FY21. The profitability margin of the group had also witnessed an improvement as EBITDA margin stood at 10.48 percent in FY21 as against 3.48 percent in FY20. This is on account of decline in employee cost because of adoption of cost cutting techniques. The profit margin of the group is expected to remain comfortable during FY22 as the group has already registered EBITDA margin of 10.5 percent in H1FY22.

Working capital intensive operations and regulatory risks are some of the credit challenges highlighted by the rating agency.

Please take this intimation on record.

For Bal Pharma Limited



**G.Rengarajan
Chief Financial Officer.**