

Balaxi Pharmaceuticals Limited

August 14, 2023

To,
Listing Department,
National Stock Exchange of India Limited
Exchange Plaza, Plot No C-1, Block G, Bandra Kurla Complex,
Bandra (E), Mumbai – 400051

NSE Symbol: BALAXI

Dear Sir/Madam,

Subject: Intimation of reaffirmation of Credit Rating and revision in outlook

Pursuant to Regulation 30 read with Schedule III of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform you that CRISIL Ratings Limited has reaffirmed its rating at 'CRISIL BBB+' on the long-term bank facilities of the Company while revising the outlook to negative from stable.

The details of the reaffirmation of credit rating and revision in outlook is given below:

Name of the Company	Credit Rating Agency	Type of Credit Rating	Prior Rating	Revised Rating
Balaxi Pharmaceuticals Limited	CRISIL Ratings Limited	Long Term	CRISIL BBB+/ Stable	CRISIL BBB+/ Negative (Outlook revised from 'Stable'; Rating Reaffirmed)

A copy of press release issued by CRISIL Ratings Limited covering the rationale for the rating is enclosed.

The aforesaid information is also being hosted on the Company's website at www.balaxipharma.in.

This is for your information and records.

Yours Faithfully,
For **Balaxi Pharmaceuticals Limited**

Udayan Shukla
(Company Secretary & Compliance Officer)
Membership No.: F11744

Encl: A/a

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Rating Rationale

August 14, 2023 | Mumbai

Balaxi Pharmaceuticals Limited

Rating outlook revised to 'Negative'; Rating Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.50 Crore
Long Term Rating	CRISIL BBB+/Negative (Outlook revised from 'Stable'; Rating Reaffirmed)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has revised its outlook on the long-term bank facilities of Balaxi Pharmaceuticals Limited (BPL, part of Balaxi group) to '**Negative**' from 'Stable' while reaffirming the rating at '**CRISIL BBB+**'.

The outlook revision factors in the net losses reported by the group in Q1 of the ongoing fiscal on account of the sharp depreciation in Angolan currency, Kwanza. Angola being a primary market for the group with contribution of more than 50% of the total revenue, and the creditors to this market has to be settled in USD, the sharp depreciation has resulted in the revaluation of 3.65Bn Kwanza and has impacted the bottomline of the group with reported loss of Rs. 41 crores. The demand due to the economic scenario remain subdued and limited purchasing power of Angola market will result in moderation of business performance in the ongoing fiscal.

The ability of the company to recover these losses in the upcoming quarters will remain a key monitorable.

The rating continues to reflect BPL's established market position in Angola and Latin America, extensive experience of the promoters, and healthy financial profile. These strengths are partially offset by its working capital-intensive operations, revenue concentration risks.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of BPL, along with its wholly owned subsidiary and step-down subsidiaries. This is because all these entities, collectively referred to as Balaxi group, are in the same line of business, have common promoters and strong business and financial linkages.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

Established market position in Angola and Latin America: The group has an established market position in the countries like Angola, Dominican Republic, and Guatemala. Benefits from the recognition of products and brand by doctors, pharmacists, and healthcare professionals across these markets should continue over the medium term. Supported by the same, the group has reported revenue of Rs.337 crore in Fiscal 2023. However, the group had reported loss in Q1FY24 of Rs. 41.34 crore on account of sharp depreciation in Kwanza (currency of Angola) due to which company marked the forex loss of Rs. 46 crores for the amount paid to creditors in USD.

Extensive experience of the promoters: The promoter Mr. Ashish Maheshwari has experience of around two decades in the pharmaceuticals industry, his strong understanding of market dynamics and healthy relationships with suppliers and customers should continue to support the business. The company will continue to benefit from the experience and expertise from its management team and leverage its customer relationships.

Healthy financial profile: BPL's financial risk profile is healthy marked by a comfortable net worth, healthy capital structure and robust debt protection metrics. Capital structure is healthy marked by gearing and total outside liabilities to total tangible net worth (TOL/TNW) of 0.07 time and 0.35 time, respectively, as on 31st March 2023 while net worth is comfortable at Rs.157.62 crore. Debt protection metrics are robust marked by Interest coverage ratio (ICR) of 43.61 times and Net cash accruals to adjusted debt ratio of 4.06 times in Fiscal 2023. Financial risk profile will continue strong with no debt funded capex and infusion of equity in fiscal 2024.

Weakness:

Working capital intensive operations: Operations are working capital intensive as reflected in gross current assets (GCA) of above 200 days as of March 2023. Due to the stock and sell model of the business, inventory days will remain higher at around 120-180 days while debtors are expected to be around 2-3 months. This is supported by moderate support from creditors of around 62 days.

Revenue concentration risks: More than 50% of revenue coming from Angola, the company remains vulnerable to economic uncertainties in the region and volatility in currency rates.

Liquidity: Adequate

Group is expected to be cash positive in the ongoing fiscal which is expected to be sufficient against minimal repayment obligations. Bank limits are barely utilized and average utilization stood at around 15% in the past 13 months ended June 2023. Free cash balance of Rs. 29 crores as on June 30, 2023 provides cushion to liquidity. Current ratio is expected to continue healthy in the medium term. Low gearing and comfortable net worth support its financial flexibility and provides the financial cushion available in case of any adverse conditions or downturn in the business.

Outlook: Negative

Outlook is negative on account of the expected moderation of business performance of the group due to the economic situation in their key market, Angola. The impact on the sharp depreciation on Kwanza in first quarter on the full year performance will remain monitorable.

Rating Sensitivity Factors

Upward factors

- Sustained improvement in scale of operation and sustenance of operating margin at over 18%, leading to higher cash accruals while improving revenue diversity
- Sustenance of healthy financial risk profile
- Ability of the company to recover majority of the losses incurred in the Q1 FY24 in the upcoming quarters.

Downward factors

- Further depreciation in Kwanza or lower demand leading to company reporting net loss of more than Rs. 15 crores for the fiscal.
- Large debt-funded capital expenditure or substantial increase in its working capital requirements thus weakening its liquidity & financial profile.

About the Group

Balaxi group is an IPR based pharmaceuticals player supplying to Angola and Latin America market under the brand 'Balaxi'. The group is also involved in branding and selling to FMCG products and Ancillary products. It is promoted by Mr. Ashish Maheshwari and family.

For the 3 months through June 2023, the group reported consolidated revenue and net loss of Rs 65.96 crore and Rs 41.34 crore, respectively, against Rs 82.78 crore and net profit of Rs 14.15 crore, respectively, in the corresponding period previous fiscal.

Key Financial Indicators (Consolidated)

As on/for the period ended March 31	Unit	2023	2022
Operating income	Rs crore	337.20	279.42
Reported profit after tax	Rs crore	47.02	47.69
PAT margins	%	13.63	17.06
Adjusted Debt/Adjusted Networkth	Times	0.07	0.04
Interest coverage	Times	43.61	73.30

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Complexity Levels	Rating assigned with outlook
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	20	NA	CRISIL BBB+/Negative
NA	Working Capital Facility	NA	NA	NA	30	NA	CRISIL BBB+/Negative

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Balaxi Healthcare Guatemala S. A.	Full	Stepdown subsidiary
Balaxi Healthcare Dominicana S.R.L.	Full	Stepdown subsidiary

Balaxi Helthcare Angola (SU) LDA	Full	Stepdown subsidiary
Balaxi Pharmaceuticals Limited	Full	Parent company
Balaxi Global DMCC, Dubai	Full	Subsidiary company
Balaxi Healthcare El Salvador	Full	Stepdown subsidiary
Balaxi Healthcare Honduras	Full	Stepdown subsidiary
Balaxi Healthcare Central African Republic	Full	Stepdown subsidiary

Annexure - Rating History for last 3 Years

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	50.0	CRISIL BBB+/Negative		--	07-09-22	CRISIL BBB+/Stable		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Proposed Long Term Bank Loan Facility	20	Not Applicable	CRISIL BBB+/Negative
Working Capital Facility	30	Kotak Mahindra Bank Limited	CRISIL BBB+/Negative

Criteria Details

Links to related criteria

[CRISILs Bank Loan Ratings](#)

[The Rating Process](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Understanding CRISILs Ratings and Rating Scales](#)

[CRISILs Criteria for Consolidation](#)

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