



Rating Rationale

Lazuline Biotech Private Limited

28 Feb 2019

Brickwork Ratings reaffirms BWR BB- for the bank facilities of Rs. 51.95 Crores of Lazuline Biotech Private Limited ('LBPL' or 'the Company')

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating ¹	
	Previous	Present*		Previous May 2018	Present
Fund Based					
Term Loans	69.00**	51.95 [^]	Long Term	BWR BB- (Pronounced BWR Double B Minus) Outlook: Stable	BWR BB- (Pronounced BWR Double B Minus) Outlook: Stable Reaffirmed
Total	69.00	Rs.51.95 Crores (Rupees Fifty One Crores and Ninety Five Lakhs Only)			

¹Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

*Annexure I provide bank-wise details of facilities; ^ includes undisbursed portion of Rs. 31.49 crs

**includes proposed loans of Rs. 39.00 crs

Rating reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the projected financials upto FY23, publicly available information and information/clarifications provided by the management.

The rating draws strength from the experienced management and growth potential in the Indian biosimilars market. These rating strengths are partially offset by the nascent stage of the project, delay in project implementation, exposure to risks arising from probable cost escalation and time overruns and exposure to project execution and implementation risks and other risks associated



with development and commercialisation of biosimilars including regulatory uncertainties related to the biosimilar industry.

Going forward, the ability of the Company to implement the project within the projected costs and timeline, obtain approvals from relevant authorities for the proposed products, ensure timely stabilization of operations, achieve the projected revenue and manage its working capital efficiently will be the key rating sensitivities.

Rating Outlook: Stable

BWR believes **Lazuline Biotech Private Limited's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating may be upgraded in case of timely completion of development of products and successful stabilisation of operations leading to improvement in business risk profile. Conversely, the rating outlook may be downgraded if there are further delays in project implementation leading to cost overruns and necessitating additional debt funding, or if the offtake from the plant is lower than expected, thereby adversely affecting the business risk profile.

Key Rating drivers:

Credit Strengths:

- **Promoters' experience** - The promoters have experience of over two decades in diverse fields in biopharma, biosimilars and pharmaceuticals industry.
- **Need based funding support:** The promoters have infused capital of Rs. 27.91 crs during FY19. Additional promoter funding along with the debt is expected to help the company in setting up the project and commencing operations as proposed now.
- **Growth potential** - Biosimilars in India hold reasonable growth potential and have attracted investments in areas of research, clinical trials and manufacturing. Indian biosimilars market provides growth and investment opportunities for Indian and foreign players.

Credit Weakness :

- **Project execution, implementation and stabilisation risks** - The project implementation has been delayed for a year due to delay in financial closure. The revised date of completion of the project is estimated at March 2020 with date of commercial operations as April 2020. Cost escalation, however, is marginal at around Rs. 0.59 crs. The company is exposed to project-related risks, including cost and time overruns, during



implementation. Timely implementation of the project, stabilisation of operations and achieving targeted revenue is a key monitorable.

- **Risks associated with development and commercialization of biosimilars:** Approvals for biosimilars have a relatively long gestation period and any larger than expected delay in receipt of regulatory approvals would adversely impact the business risk profile. The company is also exposed to the regulatory changes in this industry.

Analytical approach

BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale). The Company does not have any subsidiaries.

About the Company

Lazuline Biotech Private Limited, Hyderabad, was originally established in October 2011 as TKR Lifesciences Private Limited. LBPL proposes to establish state-of-the-art cGMP (current Good Manufacturing Practice) facility at Karkapatla near Hyderabad for manufacturing of Biotech APIs (Active Pharmaceutical Ingredients). The products proposed are antigens, industrial enzymes and therapeutic and reagent biotech products. The construction of the project commenced in January 2019 and is expected to be completed in March 2020. The total cost is estimated at Rs.104.59 Crs of which around Rs.52.64 Crs would be funded by the promoters and remaining Rs.51.95 Crs by way of term loans. Commercial operations are scheduled from April 2020. As on January 2019, the Company has incurred around Rs. 27.68 crs and the promoters have infused capital of Rs. 27.90 crs.

Dr. Rami Reddy K Tummuru, Mr. Kandimalla Kumar Venkata Nagaprasad, Mr. Sriram Prasad Papani and Ms.Kandimalla Satyalatha are the Directors.

Financial Performance

The project is under implementation and FY21 is expected to be the first year of operations.

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

Any other information : NA



Rating History for the last three years :

Sl. No.	Facility	Current Rating (Feb 2019)			Rating History		
		Type	Amount (Rs Crs)	Rating	03 May 2018*	2017	2016
1	Term loans	Long term	51.95^	BWR BB- (Pronounced BWR Double B Minus) Outlook: Stable Reaffirmed	BWR BB- (Pronounced BWR Double B Minus) Outlook: Stable Assigned	-	-
	Total		51.95	(Rupees Fifty One Crores and Ninety Five Lakhs Only)			

* amount rated Rs. 69.00 crs; ^ includes undisbursed portion of Rs. 31.49 crs

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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Lazuline Biotech Private Limited
Annexure I Details of the Rated Bank Loan Facilities

Bank	Facility	Amount (Rs Cr)
Canara Bank	Term Loan	30.00
Union Bank	Term Loan	17.00
Andhra Bank	Term Loan	4.95
	Total	51.95[^]

[^] includes undisbursed portion of Rs. 31.49 crs

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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