

**8 February 2023**

To,  
**BSE Limited**  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai - 400 001

Scrip Code: 524669

To,  
**National Stock Exchange of India Limited**  
Exchange Plaza,  
Bandra - Kurla Complex,  
Bandra (E), Mumbai - 400 051

Symbol: HESTERBIO

**Dear Sir:****Subject: Intimation of assigned Credit Ratings**

Pursuant to Regulation 30 read with Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Regulations"), we would like to inform that CARE Ratings Limited ('CARE Ratings'), vide its letter dated 7 February 2023 (received electronically), has revised the following ratings to the Company:

| Credit Facilities                          | Existing Ratings                                                             | Revised Ratings                                                              | Remark     |
|--------------------------------------------|------------------------------------------------------------------------------|------------------------------------------------------------------------------|------------|
| Long - term Bank Facilities                | CARE "A- : Stable"<br>(Single A Minus: Outlook: Stable)                      | CARE "BBB+: Stable"<br>(Triple B Plus; Outlook: Stable)                      | Revised    |
| Long - term / Short - term Bank Facilities | CARE "A- : Stable"/<br>CARE "A2"<br>(Single A Minus: Outlook: Stable/ A Two) | CARE "BBB+: Stable"/<br>CARE "A2"<br>(Triple B Plus; Outlook: Stable/ A Two) | Revised    |
| Short - term Bank Facilities               | CARE "A2" (A Two)                                                            | CARE "A2" (A Two)                                                            | Reaffirmed |

The rating letter issued by the CARE Ratings Limited is enclosed herewith.

You are requested to take the above information on your record.

**Sincerely,**  
**For Hester Biosciences Limited**

**Vinod Mali**  
**Company Secretary & Compliance Officer**

## Hester Biosciences Limited

February 07, 2023

| Facilities/Instruments                 | Amount (₹ crore) | Rating <sup>1</sup>         | Rating Action                          |
|----------------------------------------|------------------|-----------------------------|----------------------------------------|
| Long Term Bank Facilities              | 113.35           | CARE BBB+; Stable           | Revised from CARE A-; Stable           |
| Long Term / Short Term Bank Facilities | 50.00            | CARE BBB+; Stable / CARE A2 | Revised from CARE A-; Stable / CARE A2 |
| Short Term Bank Facilities             | 0.22             | CARE A2                     | Reaffirmed                             |

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of Hester Biosciences Limited (HBL) factors the fructification of the negative rating sensitivities considered during the previous review by CARE Ratings Limited (CARE Ratings) vide its press release dated January 21, 2022. There was inordinate delay in implementation of the Covaxin drug substance project as well as delay in the ramp-up of the operation in the Hester Biosciences Africa Limited (HBAL, subsidiary company), moderation in return indicators over the years on the back of aggressive capital expenditure undertaken by the company. Considering the limited demand of the COVID-19 vaccines in the domestic market and tender-driven nature of the vaccine business in the African market, the scale-up of the operations in both the projects is expected to be gradual resulting in lower-than-envisaged returns in the medium term. Furthermore, the rating revision also factors in the decline in the profitability in FY22 (refers to the period from April 1 to March 31) and 9MFY23 (refers to the period from April 1 to December 31) with the higher marketing spends towards animal healthcare business. However, CARE Ratings continues to take the cognisance of the receipt of the capital grants towards funding of the project cost of the Covaxin drug substance project as well as the un-utilised funds in the HBAL supporting the operations in the initial phase.

The ratings continue to derive strength from experienced promoters, long and established track record of operations with strong position in the poultry vaccine industry, diversified product portfolio with increasing focus on the large animal division and healthcare products, its wide marketing and distribution network and adequate liquidity.

The above rating strengths are, however, tempered by its modest scale of operation, large working capital requirement due to inherently high inventory holding requirement and presence in the regulated vaccine industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in its scale of operations with total operating income (TOI) of more than ₹300 crore along with profit before interest, lease, depreciation and tax (PBILDT) margin above 24% on a sustained basis.
- Improvement in the return indicators with return on capital employed (ROCE) above 15% on a sustained basis.
- Improvement in the overall gearing below 0.75x on a sustained basis.

#### Negative factors

- Decline in the TOI below ₹200 crore or PBILDT margin below 16%.
- Deterioration in the overall gearing beyond 1x and/or total debt to PBILDT above 4x in FY23 and 3x thereafter.
- Any elongation in the operating cycle adversely affecting its cash flow from operations and liquidity.

### Analytical approach: Consolidated.

Consolidated financials of HBL comprising HBL (Standalone), its four subsidiaries and one joint venture (JV). The details of the subsidiaries consolidated are shown in **Annexure-3**.

### Key strengths

#### Experience promoters

HBL was founded by Rajiv Gandhi, CEO and Managing Director, who has an experience of more than three decades in the vaccine industry and looks after the overall operations of the company. He is also the member of the National Advisory Committee for Animal Husbandry and Dairying Sector, constituted by the Government of India.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

The promoters are supported by qualified second-tier management. Over the years, the company has regularly launched new products as well as expanded its geographical presence in various countries, including Africa and Nepal, through its subsidiaries, mainly HBAL and Hester Biosciences Nepal Private Limited (HBNPL), complementing the Indian operations.

### **Long and established track record of operations**

HBL has an established track record of more than three decades in the manufacturing of the poultry vaccines. HBL primarily operates in two segments: first, Poultry Healthcare (vaccines and healthcare products); and second, Animal Healthcare (vaccines and healthcare products). HBL manufactures vaccines and healthcare products mainly for the poultry apart from sheep, goat, cattle and buffalo. From FY22, HBL had also ventured into pet care segment with initial focus on segments ranging from dermatology, grooming, specialty nutrition, anti-infective parasiticides and specialty products. HBL is one of India's leading animal healthcare companies with a strong market share in the poultry vaccine. It manufactures vaccines by using fermentation, tissue culture, continuous cell line and chick embryo origin methods. Vaccines at HBL include viral and bacterial vaccines. HBL is certified by Department of Science and Industrial Research (DSIR), World Health Organization-Good Manufacturing Practice (WHO-GMP), Good Laboratory Practice (GLP), International Organization for Standardization (ISO) 9001:2015, ISO 14001:2015 and Occupational Health and Safety Assessment Series (OHSAS) 45001. HBL also has a diagnostic lab at Anand (Gujarat) and Hyderabad. Over the years, the company has also expanded its geographical presence with setting up plants in Nepal and Africa under its subsidiaries. HBL has four subsidiaries, namely, Texas Lifesciences Private Limited (TLPL), Hester Biosciences Kenya Limited (HBKL), Hester Biosciences Nepal Private Limited (HBNPL), and Hester Biosciences Africa Limited (HBAL). HBNPL is engaged in the manufacturing and supplying of animal vaccines. In HBAL, it had setup a plant for manufacturing and supplying of veterinary vaccines and animal health products, and HBKL is the distribution company for the African market. TLPL, manufactures healthcare products, such as pharma formulations, tablets, capsules, powder, oral liquid, etc. for human and veterinary health at Mehsana, Gujarat, which are sold in the Indian market through HBL.

### **Diversified product portfolio with increasing focus on the large animal division and healthcare products**

As on March 31, 2022, the product portfolio of HBL comprises around 51 vaccines (including 48 poultry vaccines and 3 large animal vaccines) and more than 70 animal health products (including therapeutics, drugs, feed supplements, herbal products and disinfectants). Currently, HBL manufactures Peste Des Petits Ruminants (PPR), Goat Pox Vaccine (GPV) and Brucella abortus (S19 Delta Per) vaccine in India. Furthermore, HBL is diversifying its revenue stream from dependency on the poultry segment to large animal division and healthcare products. Currently, HBL is also developing classical swine fever vaccine, lumpy skin disease (LSD) vaccine and sheep pox vaccine, which are expected to commercialise by end of FY23. HBL also had collaboration agreement with Novapharma, Egypt, for the manufacturing and selling of veterinary vaccines through the technical expertise from HBL. In return, HBL has exclusive marketing and distribution rights for all the products manufactured at Novapharma for 30 countries, including vaccine for the Avian Influenza, which is an emerging disease in the poultry sector.

### **Established marketing and distribution network**

Over the years, HBL has set-up a multi-locational cold chain for the distribution and storage of vaccines. The marketing network of HBL is supported by seven own warehouses, nine consignee agents through which it caters various distributors at PAN-India level. HBL has presence across more than 30 countries in Asia, Africa, and European region. During FY22 and 9MFY23, HBL expanded its workforce significantly (primarily sale force and marketing personnel) to expand its healthcare products as well as pet care products segment.

During FY22, HBL had acquired 50% stake in the Thrishool Exim Limited (TEL). TEL has been operating in Tanzania since 2012, and it is a supplier and distributor of animal health and nutrition products. Furthermore, HBL has collaborated with local distributors in few countries apart from its two marketing subsidiaries, namely, HBKL (in Kenya) and a step-down subsidiary, namely, Hester Biosciences Tanzania Limited (HBTL) in Tanzania, for marketing of veterinary vaccines and animal health products in the African region. CARE Ratings expects, development of the distribution network coupled with scaling-up of operation in the HBAL is expected to create synergy in African market and drive growth of the company in the medium term. Also, TEL has reported profitable operations during 9MFY23.

### **Good opportunity in the animal healthcare market**

Food and Agriculture Organization (FAO) of the United Nations (UN) and OIE (World Organization for Animal Health) have embarked on a worldwide PPR disease eradication programme over a period of 15 years, starting in 2015. This PPR eradication project is expected to induce high demand for the PPR vaccine. Through its manufacturing set-up in Nepal, HBL is engaged in the manufacturing of PPR and Goat pox vaccines of Nigerian strain, thereby providing growth opportunity. Furthermore, Government of India has launched National Animal Disease Control Programme (NADCP) to control Foot and Mouth Disease (FMD) and Brucellosis to support the livestock rearing farmers and has allocated ₹13,343 crore to be expended over the next five years, which also provides growth opportunity. Government of India is expected to spend around ₹90 crore per annum for five

years on Brucella vaccine under NADCP. HBL is one of the two suppliers for this vaccine, which along with strong new product pipeline is expected to augur well for HBL. HBL is also one of the entities shortlisted for the development of the vaccine for the monkey pox.

### Key weaknesses

#### **Inordinate delay in the Covaxin drug substance project and delay in the scale-up of the operation of the HBAL resulting in moderation in return indicators and lower-than-envisaged cash accruals in medium term**

In July 2021, Bharat Biotech International Limited (BBIL) and Gujarat Covid Vaccine Consortium (GCVC; comprises Gujarat Biotechnology Research Centre and HBL) entered a contract for the manufacturing of the drug substance for Covaxin wherein BBIL shall provide the technology to produce the drug substance for Covaxin and HBL will provide the complete infrastructure at its Gujarat plant. The government has approved ₹60 crore of capital grant for Covaxin project to be received in stagewise manner. Earlier the project was expected to be completed by the end of March 2022, including regulatory compliance and necessary approval, and commercial operations were envisaged during early FY23. However, the project got delayed due to the delay in the receipt of certain machineries and revision in some specifications and is now expected to commence operations before end of FY23. The project cost has been revised to ₹110 crore from the earlier estimate of ₹78.45 crore, mainly due to change in some project specifications and the incremental cost was funded through the receipt of the part of the capital grant and internal accruals. Furthermore, considering the limited demand for Covaxin vaccine in the domestic market due to lessening of effect of COVID-19, the saleability risk remains higher. As articulated by the management, Covaxin facility is a multipurpose facility and can be utilised for other products and hence, operationalisation and capacity utilisation of the same would remain key credit monitorable.

In HBAL, the company has completed green field animal vaccine project (in Tanzania) with installed capacity of 1.50 billion doses of the animal vaccines in September 2021. The total cost of project was around USD 18 million which was funded by equity capital of USD 4 million from HBL and USD 16 million from the Bill and Malinda Gates Foundation (BMGF) (in form capital grant of USD 4 million and soft loan of USD 12 million) with balance funds to be utilised for the working capital purpose. The entire capital grant as well as soft loan was disbursed as on March 31, 2022. HBAL had received major approval from the Tanzania Medicines and Medical Devices Authority (TMMDA) during FY22; however, selling approval was received during 9MFY23, resulting in delay in the ramp-up of operations and negligible operations till 9MFY23. Also, as articulated by the management, the operations of HBAL are expected to scale-up from the FY24; however, saleability risk remains considering the tender-driven nature of business. Interest payment of the project debt had commenced from December 2022 and principal repayment would start from the June 2025 and HBAL has cushion available in the form of the un-utilised soft loan of around USD 2 million (intended for working capital funding) in the medium term. Any further delay in scaling-up of the operation of the HBAL and realisation of envisaged returns may impact the overall credit metrics of HBL at a consolidated level.

Apart from above, HBL (India) is also undertaking expansion project of vaccine manufacturing capacity (6.25 billion does to around 12.96 billion does) with project cost of around ₹52 crore to be completed by end of March 2023. Out of the total cost of ₹52 crore, HBL had incurred around ₹41 crore as on November 30, 2022, and the same was funded through term loan as well as internal accruals.

Over the last 4 years ended FY22, the company had undertaken capex of over ₹250 crore (including ongoing projects), which had faced challenges in timely execution and scaling-up of operations resulting in moderation in return indicators marked by return on capital employed (ROCE) from around 19% in FY18 to around 11% in FY22, on a consolidated level. Going forward, CARE Ratings expects ROCE to remain around 8%-11% in the medium term with gradual ramp-of operations from recently completed/ongoing expansion projects.

#### **Moderation in the profitability, capital structure and debt coverage indicators**

On consolidated level, HBL had healthy profitability in poultry vaccine resulting in PBILDT margin of 35%-40% in the past, but the same had declined during FY22 and 9MFY23 to 25.55% and 21.65%, respectively, due to change in the sales mix towards healthcare products having comparatively lower margins and higher marketing spends. Overall, CARE Rating expects PBILDT margin to remain around 22%-27% in the near term. Despite moderation in the PBILDT margin, profit after tax (PAT) margin remained healthy 16.80% during FY22 as compared with 16.19% during FY21. Overall, gross cash accruals (GCA) remained stable in FY22 but were lower than envisaged levels.

There has been significant increase in the total debt of HBL on the back of capital expenditure undertaken at HBL and in the subsidiaries. Total debt (TD) of HBL increased from ₹110.02 crore as on March 31, 2021 to ₹228.17 crore as on March 31, 2022 with drawdown of the partial debt for the on-going capex along with disbursement of the balance USD 2 million soft loan in HBAL. Overall gearing though remained comfortable, moderated from 0.43x as on March 31, 2021 to 0.80x as on March 31, 2022. Total outside liability to tangible net worth (TOL/TNW) also moderated from 0.59x as on March 31, 2021 to 0.94x as on March 31, 2022. The total debt further increased during 9MFY23 but with receipt of grants and healthy cash flow from existing operations, CARE Ratings expects the overall gearing to remain below unity in the medium term.

With increase in the total debt and decline in the profitability, overall debt coverage indicators moderated marked by TDGCA and total debt to PBILIDT from 2.49x and 1.60x, respectively, as on March 31, 2021, to 4.92x and 3.80x, respectively, as on March 31, 2022.

### **Modest albeit growing scale of operations**

HBL's TOI grew by around 10% to ₹235.01 crore during FY22 (FY21: ₹214.33 crore) on the back of growth in the vaccine sales (poultry and animal) of around 6% and healthcare products (poultry and animal) of around 44% on y-o-y basis. Poultry (majorly vaccines) sales grew moderately during FY22 over FY21 due to higher base effect and lower demand from the poultry segment with rise in the feed cost impacting the overall vaccine demand from the end customers. HBL's standalone TOI continued to remain major contributor to the consolidated income. Overall, the sales volume of HBL (standalone) grew by 6% during FY22 on y-o-y basis. During 9MFY23, HBL reported TOI of ₹198.79 crore and PBILDT and PAT of ₹43.05 crore and ₹22.32 crore, respectively. The TOI during 9MFY23 constitutes ₹193.30 crore with PAT of Rs.26.08 crore from HBL (Standalone) reflecting small scale at subsidiaries.

TLPL has small albeit growing scale of operation in line with the growth in the HBL's healthcare products portfolio. HBNPL is largely a tender-driven business, which has reported TOI of around ₹13.93 crore during FY22 as compared with ₹4.75 crore during FY21. HBKL is into trading business operating at small scale. Despite steady growth in its TOI, HBL continued to operate on modest scale of operation.

Going forward, CARE Ratings expects that the growth in the TOI of HBL would be supported by the completion and commercialisation of its capacity expansion project along with growth in the healthcare segment and commercialisation of the new animal vaccines. Revenue from HBAL project and Covaxin project is key credit monitorable.

### **Large working capital requirement due to inherently high inventory holding requirement**

The operations of HBL remained working capital intensive with high inventory requirements considering the nature of its products. High inventory days is largely due to the manufacturing process of the product which requires average two-three months of work-in-progress for various stages of product development for the formulation, processing, stimulations and quality check, etc. Inventory holding days remained high at 160 days during FY22 (FY21: 175 days). Average receivable improved from 98 days during FY21 to 81 days during FY22. The overall operating cycle though moderated, remained elongated at 193 days during FY22 as compared with 216 days during FY21.

### **Presence in regulated industry and risk related to the poultry industry**

The vaccine industry has very high entry barriers and is a highly regulated market in terms of intellectual property rights (IPR) and other regulatory requirements. Furthermore, the poultry industry is exposed to the risks of outbreak of diseases, which in turn, could affect the poultry vaccine industry. Such instances cause a severe reduction in the consumption of poultry products besides causing a cascading effect on the profitability of poultry companies. Furthermore, the demand of HBL's products is dependent upon the farmer's ability to spend on poultry vaccines and healthcare products. In case of rise in the cost of animal feed, farmers may be forced to cut expenditure on healthcare products.

### **Liquidity: Adequate**

HBL has adequate liquidity marked by moderate cash accruals against its debt repayment obligation and cushion available from unutilised working capital limits. On a consolidated basis, HBL is expected to earn GCA of around ₹40-45 crore during FY23 as against debt repayment obligation of around ₹23 crore. HBL had received government grant of ₹24 crore during FY22, and as articulated by the management, balance ₹36 crore is expected to be received during FY23, which along with its envisaged cash accruals are adequate for funding its ongoing capital expenditure. The overall liquidity of HBL is also supported by cushion available against unutilised working capital limits with average fund-based working capital utilisation of around 62% for past 12 months ended December 2022. The reported cash flow from operations was at ₹8.81 crore during FY22 as compared with ₹58.05 crore during FY21.

HBAL had availed soft loan from BMGF where principal re-payment will start from June 2025 providing added cushion to build the liquidity. Also, HBNPL has paid off majority of its term debt, and as articulated by the management, it does not require any financial support from HBL.

Current ratio and quick ratio though moderated, remained strong at 2.02x and 1.24x, respectively, as on March 31, 2022. On a consolidated basis, HBL had cash and bank balance of ₹24.73 crore as on March 31, 2022.

## Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Factoring Linkages Parent Sub JV Group](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Pharmaceutical](#)

[Policy on Withdrawal of Ratings](#)

## About the company

Incorporated in the year 1987, HBL (CIN: L99999GJ1987PLC022333) was promoted by Rajiv Gandhi as a private limited company and was subsequently converted into a public limited company in 1993. HBL is one of the largest poultry vaccine manufacturers in the country. It also manufactures animal vaccine as well as health products for animal and poultry. HBL's manufacturing facility is located at Kadi in the Mehsana district of Gujarat with installed capacity of 6.25 billion doses per annum as on March 31, 2022. Currently, HBL is undertaking the capex for the expansion of its vaccine manufacturing capacity to 12.96 billion doses with total cost of around ₹52 crore. Furthermore, in July 2021, BBIL and GCVC entered a contract manufacturing of the drug substance for 'Covaxin' under which HBL will provide the complete infrastructure at its Gujarat plant for the manufacturing of the drug substance. HBL has four subsidiaries, namely, TLPL, HBKL, HBNPL and HBAL and one JV, i.e., TEL.

| Brief Financials (₹ crore)- Consolidated | March 31,<br>2021 (A) | March 31,<br>2022 (A) | 9MFY23<br>(Published) |
|------------------------------------------|-----------------------|-----------------------|-----------------------|
| Total operating income                   | 214.33                | 235.09                | 198.79                |
| PBILDT                                   | 68.66                 | 60.07                 | 43.05                 |
| PAT                                      | 34.70                 | 39.48                 | 22.32                 |
| Overall gearing (times)                  | 0.43                  | 0.80                  | N.A.                  |
| Interest coverage (times)                | 10.40                 | 14.78                 | 5.42                  |

A: Audited; N.A.: Not Available

| Brief Financials (₹ crore)- Standalone | March 31,<br>2021 (A) | March 31,<br>2022 (A) | 9MFY23<br>(Published) |
|----------------------------------------|-----------------------|-----------------------|-----------------------|
| Total operating income                 | 209.51                | 221.33                | 193.30                |
| PBILDT                                 | 73.03                 | 62.55                 | 43.97                 |
| PAT                                    | 39.90                 | 39.52                 | 26.08                 |
| Overall gearing (times)                | 0.07                  | 0.45                  | N.A.                  |
| Interest coverage (times)              | 18.50                 | 25.34                 | 7.15                  |

A: Audited

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-4

**Complexity level of the various instruments rated:** Annexure-5

**Lender details:** Annexure-6

**Annexure-1: Details of instruments/facilities**

| Name of the Instrument                         | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|------------------------------------------------|------|-------------------------------|-----------------|----------------------------|-----------------------------|-------------------------------------------|
| Fund-based - LT-External Commercial Borrowings | -    | -                             | -               | December 2027              | 90.00                       | CARE BBB+; Stable                         |
| Fund-based - LT-Term Loan                      | -    | -                             | -               | July 2029                  | 23.35                       | CARE BBB+; Stable                         |
| Fund-based - LT/ ST-Cash Credit                | -    | -                             | -               | -                          | 50.00                       | CARE BBB+; Stable / CARE A2               |
| Non-fund-based - ST-Credit Exposure Limit      | -    | -                             | -               | -                          | 0.22                        | CARE A2                                   |

**Annexure-2: Rating history for the last three years**

| Sr. No. | Name of the Instrument/Bank Facilities    | Current Ratings |                              |                             | Rating History                              |                                             |                                             |                                                                                    |
|---------|-------------------------------------------|-----------------|------------------------------|-----------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|------------------------------------------------------------------------------------|
|         |                                           | Type            | Amount Outstanding (₹ crore) | Rating                      | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020                                        |
| 1       | Fund-based - LT/ ST-Cash Credit           | LT/ST*          | 50.00                        | CARE BBB+; Stable / CARE A2 | -                                           | 1)CARE A-; Stable / CARE A2 (21-Jan-22)     | 1)CARE A-; Stable / CARE A2 (11-Nov-20)     | 1)CARE A-; Stable / CARE A2 (10-Jan-20)<br>2)CARE A-; Stable / CARE A2 (27-Sep-19) |
| 2       | Fund-based - LT-Term Loan                 | LT              | 23.35                        | CARE BBB+; Stable           | -                                           | 1)CARE A-; Stable (21-Jan-22)               | 1)CARE A-; Stable (11-Nov-20)               | 1)CARE A-; Stable (10-Jan-20)<br>2)CARE A-; Stable (27-Sep-19)                     |
| 3       | Fund-based - ST-Standby Line of Credit    | ST              | -                            | -                           | -                                           | 1)Withdrawn (21-Jan-22)                     | 1)CARE A2 (11-Nov-20)                       | 1)CARE A2 (10-Jan-20)<br>2)CARE A2 (27-Sep-19)                                     |
| 4       | Non-fund-based - ST-Credit Exposure Limit | ST              | 0.22                         | CARE A2                     | -                                           | 1)CARE A2 (21-Jan-22)                       | 1)CARE A2 (11-Nov-20)                       | 1)CARE A2 (10-Jan-20)<br>2)CARE A2 (27-Sep-19)                                     |

| Sr. No. | Name of the Instrument/Bank Facilities         | Current Ratings |                              |                   | Rating History                              |                                             |                                             |                                             |
|---------|------------------------------------------------|-----------------|------------------------------|-------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
|         |                                                | Type            | Amount Outstanding (₹ crore) | Rating            | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 5       | Fund-based - LT-External Commercial Borrowings | LT              | 90.00                        | CARE BBB+; Stable | -                                           | 1)CARE A-; Stable (21-Jan-22)               | -                                           | -                                           |

\*Long term/Short term.

### Annexure-3: List of subsidiaries of HBL getting consolidated

| Sr. No. | Name of the Entity                       | % holding by HBL as on March 31, 2022 |
|---------|------------------------------------------|---------------------------------------|
| 1.      | Texas Lifesciences Private Limited       | 54.81%                                |
| 2.      | Hester Biosciences Kenya Limited         | 100%                                  |
| 3.      | Hester Biosciences Nepal Private Limited | 65%                                   |
| 4.      | Hester Biosciences Africa Limited        | 100%                                  |
| 5.      | Thrishool Exim Limited                   | 50%                                   |

### Annexure-4: Detailed explanation of the covenants of the rated instruments/facilities

| Name of the Instrument            | Detailed explanation                                                                                                                                                                                                                                                                                                                                      |          |           |                          |        |                            |              |                             |        |                |        |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----------|--------------------------|--------|----------------------------|--------------|-----------------------------|--------|----------------|--------|
| <b>A. Financial covenants</b>     |                                                                                                                                                                                                                                                                                                                                                           |          |           |                          |        |                            |              |                             |        |                |        |
| I                                 | <b>HBL to maintain following:</b> <table> <tr> <th>Covenant</th><th>Threshold</th></tr> <tr> <td>Long-term debt to EBITDA</td><td>&lt;=2.00</td></tr> <tr> <td>Fixed asset coverage ratio</td><td>&gt;=2.00 (ECB)</td></tr> <tr> <td>Debt service coverage ratio</td><td>&gt;=2.00</td></tr> <tr> <td>Interest cover</td><td>&gt;=5.00</td></tr> </table> | Covenant | Threshold | Long-term debt to EBITDA | <=2.00 | Fixed asset coverage ratio | >=2.00 (ECB) | Debt service coverage ratio | >=2.00 | Interest cover | >=5.00 |
| Covenant                          | Threshold                                                                                                                                                                                                                                                                                                                                                 |          |           |                          |        |                            |              |                             |        |                |        |
| Long-term debt to EBITDA          | <=2.00                                                                                                                                                                                                                                                                                                                                                    |          |           |                          |        |                            |              |                             |        |                |        |
| Fixed asset coverage ratio        | >=2.00 (ECB)                                                                                                                                                                                                                                                                                                                                              |          |           |                          |        |                            |              |                             |        |                |        |
| Debt service coverage ratio       | >=2.00                                                                                                                                                                                                                                                                                                                                                    |          |           |                          |        |                            |              |                             |        |                |        |
| Interest cover                    | >=5.00                                                                                                                                                                                                                                                                                                                                                    |          |           |                          |        |                            |              |                             |        |                |        |
| <b>B. Non-financial covenants</b> |                                                                                                                                                                                                                                                                                                                                                           |          |           |                          |        |                            |              |                             |        |                |        |
|                                   | -                                                                                                                                                                                                                                                                                                                                                         |          |           |                          |        |                            |              |                             |        |                |        |

### Annexure-5: Complexity level of the various instruments rated

| Sr. No. | Name of the Instrument                         | Complexity Level |
|---------|------------------------------------------------|------------------|
| 1.      | Fund-based - LT-External Commercial Borrowings | Simple           |
| 2.      | Fund-based - LT-Term Loan                      | Simple           |
| 3.      | Fund-based - LT/ ST-Cash Credit                | Simple           |
| 4.      | Non-fund-based - ST-Credit Exposure Limit      | Simple           |

### Annexure-6: Lender details

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

**Contact us****Media contact**

Name: Mradul Mishra

Phone: +91-22-6754 3596

E-mail: [mradul.mishra@careedge.in](mailto:mradul.mishra@careedge.in)**Analyst contact**

Name: Akhil Goyal

Phone: 8511190015

E-mail: [akhil.goyal@careedge.in](mailto:akhil.goyal@careedge.in)**Relationship contact**

Name: Deepak Purshottambhai Prajapati

Phone: +91-79-4026 5656

E-mail: [deepak.prajapati@careedge.in](mailto:deepak.prajapati@careedge.in)**About us:**

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