

Press Release

V S International Private Limited

September 26, 2017

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 6.15 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) on the Rs. 6.15 crore bank facilities of V S International Private Limited. The outlook is '**Stable**'.

V S International Private Limited (VSIPL), incorporated in 1997, is a Mumbai-based company promoted by Mr. Vidyut Shah, Mrs. Susie Shah and Mr. Purvesh Shah. VSIPL is engaged in the manufacture of pharmaceutical drug formulations. The company's product portfolio includes formulations for antibiotics, antiviral, cardiovascular, neuropsychiatry, oncology among others. VSIPL also trades in medical equipments and hospital furniture which are sold under the 'Mediwise' brand name.

Key Rating Drivers**Strengths****• Experienced management**

The Director, Mr. Vidyut Shah, has more than two decades of experience in the pharma industry.

• Moderate financial riskprofile

The financial risk profile is moderate marked by net worth of Rs.11.47 crore as on 31 March, 2017 (Provisional) as against Rs.11.33 crore a year earlier. The gearing is moderate at 1.22 times as on 31 March, 2017 (Provisional) as against 1.02 times as on 31 March, 2016. The total debt outstanding as on 31 March, 2017 is Rs. 14.00 crore which comprises Rs. 5.49 crore of term loan, Rs. 3.24 crore as unsecured loans from directors and Rs. 5.27 crore of working capital borrowing from the bank. The Interest coverage ratio is healthy at 3.27 times for FY2017 (Provisional) as against 4.21 times for FY2016. The net cash accruals stood at Rs.2.95 crore in FY2017 (Provisional) as against Rs.2.56 crore in FY2016. The NCA/TD stood moderate at 0.21 times in FY2017 (Provisional) as against 0.22 times in FY2016. SMERA believes that going ahead VSIPL will maintain a stable financial risk profile.

Weaknesses**• Working capital intensive operations**

The company has working capital intensive operations marked by high gross current assets days of 178 for FY2017 (Provisional) as against 210 days in FY2016. The same is on account of high inventory holding period of 49 days in FY2017 as against 61 days in FY2016. The debtor days are also high at 86 days for FY2017 (Provisional) as against 129 days in FY2016. The creditor days are stretched to 133 days in FY2017 (Provisional) as against 289 days in FY2016.

• Foreign exchange fluctuation risk

The profitability is exposed to fluctuations in forex rates since the company exports 100 per cent of its products to Kenya, Botswana, Bangladesh among other countries. Adverse changes in prices may affect the profitability of the company.

• **Uneven profitability margins**

The profitability margins of VSIPL are uneven during the period under the study. The EBITDA margins stood at 15.27 per cent in FY2016 as against 10.62 per cent in FY2015. Further, as per provisional financials for FY2017 the EBITDA margins stood at 15.80 per cent. The PAT margins show a declining trend at 0.47 per cent in FY2016 as against 2.81 percent in FY2015. Further, as per provisional financials for FY2017, the PAT margins stood at 0.37 per cent. The margins are declining on account of increase in depreciation cost to Rs.2.85 crore in FY2017 from Rs.1.24 crore in FY2015. However going ahead, SMERA believes that the company will register improvement in profitability margins considering the capex undertaken.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of V S International Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that VSIPL will maintain a Stable outlook and continue to benefit over the medium term from its established operations and experienced management. The outlook may be revised to Positive in case the company scales up operations while maintaining healthy profit margins. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or financial risk profile owing to higher than envisaged debt funded capex. A stretched liquidity position may also entail a 'Negative' outlook.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), VSIPL reported profit after tax (PAT) of Rs.0.10 crore on total operating income of Rs.27.30 crore, compared with PAT of Rs.0.11 crore on total operating income of Rs.22.42 crore for FY2015-16. The tangible net worth stood at Rs.11.47 crore in FY2016-17 (Provisional) compared to Rs.11.33 crore in the previous year.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-May-2016	Term Loan	Long Term	INR 5	SMERA BB+ / Stable
	Proposed Long Term Loan	Long Term	INR 1.15	SMERA BB+ / Stable
14-Dec-2015	Proposed Long Term Loan	Long Term	INR 10	SMERA BBB- / Stable

15-Sep-2014	Proposed Long Term Loan	Long Term	INR 10	SMERA BBB- / Stable
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*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.15	SMERA BB+ / Stable

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ABOUT SMERA

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