

Press Release

V S International Private Limited

September 07, 2018

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs.8.45 Cr (Enhanced from Rs. 6.15 cr)
Long Term Rating	ACUITE BB+/Stable

*Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) to the Rs.6.15 crore fund based bank facilities of V S International Private Limited (VSIPL) and has assigned long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) to the Rs.2.30 crore fund based bank facilities of V S International Private Limited (VSIPL). The outlook is '**Stable**'.

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 manufacturing of pharmaceutical drug formulations. The company's product portfolio includes formulations for antibiotics, antiviral, cardiovascular, neuropsychiatry, oncology, gastroenterology, pain management, diabetology and other specialties.

VSIPL is also engaged in trading of medical equipment and hospital furniture items, which are sold under the brand name of 'Mediwise'. VSIPL has manufacturing facility located in Daman with capacity of 300 million capsules per annum and 300 crore of tablets per annum. VSIPL manufactures Asthalin for Cipla and Rantac for JB Chemicals and Pharmaceuticals Limited. VSIPL exports its products to countries like Africa, Middle East countries, Singapore, Philippines, Sri Lanka and Mauritius to name a few. VSIPL has developed more than 70 CTD (Common Technical Document) dossiers for the above formulations and has filed 150 dossiers for registration in 9 countries.

Analytical approach:

Acuite has considered standalone business and financial risk profile of VSIPL to arrive at the rating.

Key Rating Drivers:

Strengths:

Established track record of operations and experience management:

The promoter of VSIPL, Mr. Vidyut Shah has more than two decades of experience in the pharma industry. VSIPL has established healthy customer relationship with Cipla Limited, Serdia Pharmaceuticals India Pvt Ltd and JB Chemicals and Pharmaceuticals Limited.

Acuite believes that established track record of operations for more than two decades and experienced management will help VSIPL to maintain its business profile over the medium term.

Moderate financial risk profile:

The financial risk profile remains moderate marked by tangible net worth of Rs.11.73 crore as on 31 March, 2018 (Provisional) as against Rs.11.56 crore as on 31 March, 2017. The gearing stood at 1.27 times as on 31 March, 2018 (Provisional) as against 1.22 times as on 31 March, 2017. The total debt of Rs.14.95 crore outstanding as on 31 March, 2018 (Provisional) comprise Rs.6.39 crore as secured term loan from the bank, Rs.2.59 crore as unsecured loans from the promoters, Rs.5.97 crore as working capital borrowings from the bank.

The company has taken additional term loan of Rs.2.30 crore in the month of April 2018 for upgradation and renovation of the existing facility which will help the company to comply with Pharmaceutical Inspection Co-operation Scheme (PICS) Audit and Current Good Manufacturing Practice (CGMP) Norms to cater to South Africa, South America and Malaysia. This loan is expected to be repaid with DSCR ranging from 2.4 times to 2.2 times. The interest coverage ratio stood at 3.39 times in FY2018 (Provisional) as against 3.18 times in FY2017. The DSCR stood at 3.39 times in FY2018 (Provisional) as against 3.18 times in FY2017. The net cash accruals stood at Rs.2.83 crore in FY2018 (Provisional) as against Rs.2.68 crore in FY2017.

Acuité believes that the company will maintain its financial risk profile on the back of moderate generation of net cash accruals over the medium term.

Weaknesses:**Moderate scale of operations with moderate profitability:**

VS IPL has shown moderate growth in revenue during the period FY2016 to FY2018 under the study. The operating income stood at Rs.31.02 crore in FY2018 (Provisional) as against Rs.25.84 crore in FY2017 and Rs.22.42 crore in FY2016. Further, the company has booked revenue of Rs.9.00 crore for the period April to July, 2018. The profitability margins of the company have remained moderate during the period FY2016 to FY2018 under the study. The operating margins stood at 13.35 percent in FY2018 (Provisional) as against 13.31 percent in FY2017. However, the company operates on thin net profitability margins and the same stood at 0.87 percent in FY2018 (Provisional) as against 0.84 percent in FY2017. This is majorly on account high depreciation and interest cost.

Acuité believes that the ability of the company to scale up its operations along with the profitability margins will be key rating sensitivity.

Working capital intensity:

The operations of VS IPL have remained working capital intensive marked by Gross Current Assets (GCA) of 171 days in FY2018 (Provisional) as against 176 days in FY2017. This is majorly on account of high receivable days which stood at 74 days in FY2018 (Provisional), however stood improved from FY2017 which stood at 96 days. This is because the company is 100 percent export unit wherein the payment terms with its customers are 90 to 120 days. The company gets extended credit period from its supplier of around 120 days to 200 days which moderates the working capital requirements. The average working capital utilisation for the last six months ended July, 2018 stood at 80 to 90 percent. The ability of the company to maintain its working capital cycle will be key rating sensitivity.

Foreign exchange fluctuation risk:

VS IPL's profitability is exposed to foreign exchange fluctuation as the company exports 100 percent of its revenue in countries like Middle East, Singapore, Philippines, Sri Lanka, and few American and African countries. Any adverse change in the prices will affect the profitability of the company. However, this risk is partially offset by the company's policy of following a quarterly schedule of orders and undertaking hedging on selected transactions.

Outlook: Stable

Acuite believes VS IPL will maintain a 'Stable' outlook over the medium term from its established operations and experienced management. The outlook may be revised to 'Positive' in case the company scales up its operations while improving profit margins. The outlook may be revised to 'Negative' in case of decline in the revenues, or in case of sharp deterioration in the profit margins or liquidity position or in case of higher than envisaged debt funded capex or working capital requirements.

About the rated entity- key financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	31.02	25.84	22.42
EBITDA	Rs. Cr.	4.14	3.44	3.42
PAT	Rs. Cr.	0.27	0.22	0.11
EBITDA Margin	(%)	13.35	13.31	15.27
PAT Margin	(%)	0.87	0.84	0.47
ROCE	(%)	6.05	6.74	4.60
Total Debt/Tangible Net Worth	Times	1.27	1.22	1.02
PBDIT/Interest	Times	3.39	3.18	4.21
Total Debt/PBDIT	Times	3.61	3.43	3.38
Gross Current Assets (Days)	Days	171	176	210

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

None

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Note on complexity levels of the rated instrument

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

Applicable Criteria

- Manufacturing Entities : <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities : <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition: <https://www.acuite.in/criteria-default.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
26-Sep-2017	Term loan	Long term	5.00	ACUITE BB+/Stable (Reaffirmed)
	Term loan	Long term	1.15	ACUITE BB+/Stable (Reaffirmed)
10-May-2016	Term loan	Long term	5.00	ACUITE BB+/Stable (Suspension Revoked, Rating Assigned)
	Term loan (Proposed)	Long term	1.15	ACUITE BB+/Stable (Suspension Revoked, Rating Assigned)
14-Dec-2015	Term loan	Long term (Proposed)	10.00	ACUITE BBB-/Stable (Suspended)

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings
Term loan I	Not Applicable	Not Applicable	Not Applicable	6.15	ACUITE BB+/Stable (Reaffirmed)
Term loan II	Not Applicable	Not Applicable	Not Applicable	2.30	ACUITE BB+/Stable (Assigned)

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About Acuité Ratings & Research:

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