

April 29, 2016

Facilities	Amount (Rs. Crore)	Ratings
Term Loans	37.70	SMERA BB/Stable (Downgraded from SMERA BBB-/Stable)
Cash Credit	17.00*	SMERA BB/Stable (Downgraded from SMERA BBB-/Stable)
Letter of credit	8.00#	SMERA A4+ (Downgraded from SMERA A3)
Bank Guarantee	1.00	SMERA A4+ (Downgraded from SMERA A3)

*includes Export Packing Credit and Foreign Bill Purchase as a sublimit to the extent of Rs.9.00 crore

#includes Buyers' Credit as a sublimit to the extent of Rs.8.00 crores

SMERA has downgraded the abovementioned long term rating of Rampex Labs Private Limited (RLPL) to '**SMERA BB**' (read as **SMERA double B**) from '**SMERA BBB-**' (read as SMERA triple B minus) and short term rating to '**SMERA A4+**' (read as **SMERA A four plus**) from '**SMERA A3**' (read as SMERA A three). The outlook is '**Stable**'. The rating downgrade reflects significant deterioration in its financial risk profile on account of the debt funded acquisition made in FY2014-15. Deterioration in financial profile is due to decline in profitability, coverage indicators and net cash accruals.

The ratings are further constrained by the company's modest scale of operations and working-capital intensive operations. However, the ratings are supported by the experienced management and reputed clientele.

Update

RLPL has booked revenue of Rs.68.99 crore in FY2014-15 as against Rs.55.54 crore in FY2013-14. During the period April 2015 to December 2015, RLPL registered revenue of Rs.78.68 crore (Provisional). However, the operating margins have declined substantially from 16.89 per cent in FY2013-14 to 8.82 per cent in FY2014-15. In FY2014-15, RLPL acquired a manufacturing facility for active pharmaceutical ingredients (APIs) by availing debt of Rs.31.00 crore resulting in increase in gearing from 0.58 times as on March 31, 2014 to 1.54 times as on March 31, 2015. Due to increase in interest burden, the net cash accruals have declined from Rs.5.74 crore in FY2013-14 to Rs.2.56 crore in FY2014-15. The company's interest coverage ratio has deteriorated significantly from 5.25 times in FY2013-14 to 1.67 times in FY2014-15. SMERA believes that RLPL's profitability and coverage indicators would remain under pressure over the medium term on account of increasing overheads due to acquisition made in FY2014-15.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

Outlook: Stable

SMERA believes that the outlook of RLPL would remain stable on account of its experienced management and healthy revenue profile backed by reputed clientele. The outlook maybe revised to 'Positive' in case the company sustains healthy revenue momentum with healthy increase in profitability while maintaining an effective working capital management. The outlook maybe revised to 'Negative' in case of further deterioration in the financial risk profile.

Rating Sensitivity Factors

- Healthy revenue momentum with healthy profitability
- Effective working capital management
- Future capex plan and its funding

About the Company

Incorporated in 2004, RLPL was promoted by Mr. Ranga N.B. Gorrepati. The company undertakes manufacturing of bulk drug intermediaries. It started commercial operations in August 2008. RLPL has a factory unit in Medak (Telangana). RLPL also ventured into manufacturing of active pharmaceutical ingredients (APIs). The company acquired a production facility in Vishakhapatnam, Andhra Pradesh in September 2014 and started booking revenue from November 2014 onwards.

For FY2014-15, RLPL reported profit after tax (PAT) of Rs.0.65 crore on operating income of Rs.69.04 crore, as compared with PAT of Rs.4.49 crore on operating income of Rs.55.61 crore in FY 2013-14.

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