

**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.

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**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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