

Press Release

Rampex Labs Private Limited (RLPL)

27 September, 2017

Rating Downgraded



Total Bank Facilities Rated*	Rs.63.70 Cr
Long Term Rating	SMERA D (Downgraded from SMERA BB /Stable)
Short Term Rating	SMERA D (Downgraded from SMERA A4+)

*Refer Annexure for details

Rating Rationale

SMERA has downgraded the long term and short term rating on the above mentioned facilities of Rampex Labs Private Limited (RLPL) to '**SMERA D**' (**read as SMERA D**) from '**SMERA BB**' (**read as SMERA double B**) and '**SMERA A4+**' (**read as SMERA A four plus**). SMERA has also assigned **SMERA D** on the Rs. 4.95 crore facility.

The ratings have been downgraded on account of delays in servicing of debt obligations. The rating is further constrained due to the weak financial risk profile and liquidity.

Rampex Labs Private Limited (RLPL), incorporated in 2004 is headed by Mr. Prasanth, Mr. Prasada Rao J V V, Mr. J S V N Sastry and Mr. Prasanth Chemuduri. The company is engaged in the manufacturing of bulk drug intermediaries and commenced commercial operations in August 2008 at Medak (Telangana). The installed capacity stands at 248 tons per annum. RLPL is also engaged in the manufacturing of active pharmaceutical ingredients (APIs) at Vishakhapatnam, Andhra Pradesh since September 2014 and has an installed capacity of 300 tons per annum.

List of key rating drivers and their detailed description

Weaknesses

Delay in servicing of debt obligations: There have been delays in servicing of debt obligations on term loans due to a weak financial risk profile and liquidity. There was delay in repaying the debt obligation for the month of July by the company as confirmed by the banker.

Uneven trend in profitability: The profit has been uneven during the period under study as operating margin declined to 10.24 percent in FY2017 (Provisional) from 11.54 percent in FY2016. This resulted in fall in net profit margins to 0.19 percent in FY2017 (Provisional) from 1.23 percent in FY2016. The decline in profitability was due to under-utilisation of capacity at Visakhapatnam.

Weak financial risk profile and stretched liquidity position: The tangible networth stood at Rs.46.59 crore as on 31 March, 2017 (Provisional) as against Rs.36.81 crore as on 31 March, 2016. The gearing stood at 1.15 times as on 31 March, 2017 (Provisional) as against 1.48 times as on 31 March, 2016. The total debt of Rs.53.54 crore as on 31 March, 2017 majorly comprises term loan of Rs. 28.55 crore and working capital loan of Rs. 17.51 crore. The weak financial risk profile is marked by weak debt protection metrics evident from the interest coverage ratio (ICR) of 1.59 times and Debt service coverage ratio (DSCR) of 0.79 times in FY2016-17 (Provisional) as against ICR of 1.66 times and DSCR of 1.21 times in FY2015-16. The company has low net cash accruals of

Rs.4.50 crore in FY2015-16 and Rs.3.50 crore in FY2016-17 (Provisional) with term debt obligation of around Rs.7.00 crore.

SMERA believes that any further decline in the debt protection metrics like interest coverage ratio and net cash accruals to term debt obligations would be key credit monitoring factors.

The company's working capital intensive operations are evident from its high gross current asset days of 224 in FY2017 (Provisional) as against 169 days in FY2016. This is mainly on account of high inventory days of 123 days and debtor days of 81 days in FY2017. The working capital limit has been fully utilised during the last six months ended June, 2017.

Exposure to fluctuations in raw material prices: Major raw materials are Methanol, Potassium Carbonate, Sodium Acetate Trihydrate, Thionyl Chloride among others, the prices of which are volatile by nature. Hence, the profitability is exposed to raw material fluctuation risk.

Strengths

Experienced management: The management viz. Mr. Prasanth, Mr. Prasada Rao J V V, Mr. J S V N Sastry and Mr. Prasanth Chemuduri have around two decades of experience in drug manufacturing. Besides, the management is ably supported by qualified and experienced staff. This has enabled the company forge established relationships with customers and suppliers. RLPL deals with a reputed client base and includes Janssen Pharmaceutical, Belgium (unit of Johnson & Johnson), Cadila Healthcare Limited, Piramal Enterprises Limited, Aarti Drugs Limited and Intas Pharmaceuticals Limited.

Analytical approach: SMERA has considered the standalone financial and business risk profiles of the company to arrive at the ratings.

Applicable Criteria

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

About the Rated - Key Financials

For FY2016-17(Provisional), Rampex Labs Private Limited (RLPL) reported profit after tax (PAT) of Rs.0.17 crore on operating income of Rs.90.08 crore, compared with net profit of Rs.1.29 crore on operating income of Rs.105.71 crore in FY2015-16. The net worth stood at Rs.46.59 crore as on 31 March, 2017 (Provisional) as against Rs.36.81 crore, a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
11-Jul, 2017	Term Loan	Long Term	INR 37.7	SMERA BB / Stable (Indicative)
	Cash Credit*	Long Term	INR 17	SMERA BB / Stable (Indicative)
	Letter of Credit#	Short Term	INR 8	SMERA A4+ (Indicative)
	Bank Guarantee	Short Term	INR 1	SMERA A4+ (Indicative)
29-Apr, 2016	Term Loan	Long Term	INR 37.7	SMERA BB / Stable (Downgraded)
	Cash Credit*	Long Term	INR 17	SMERA BB / Stable (Downgraded)
	Letter of Credit#	Short Term	INR 8	SMERA A4+ (Downgraded)
	Bank Guarantee	Short Term	INR 1	SMERA A4+ (Downgraded)
13-Feb, 2015	Term Loan	Long Term	INR 37.7	SMERA BBB- / Stable (Reaffirmed)
	Cash Credit*	Long Term	INR 17	SMERA BBB- / Stable (Reaffirmed)
	Letter of Credit#	Short Term	INR 8	SMERA A3 (Reaffirmed)
	Bank Guarantee	Short Term	INR 1	SMERA A3 (Reaffirmed)

*Includes Export Packing Credit and Foreign Bill Purchase as a sublimit to the extent of Rs.15.00 crore

#Includes Buyers' Credit as a sublimit to the extent of Rs.8.00 crore

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	26.75	SMERA D (Downgraded)
Cash Credit*	Not Applicable	Not Applicable	Not Applicable	23.00	SMERA D (Downgraded)
Letter of credit#	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA D (Downgraded)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA D (Downgraded)
Proposed Long term	Not Applicable	Not Applicable	Not Applicable	4.95	SMERA D (Assigned)

*Includes Export Packing Credit and Foreign Bill Purchase as a sublimit to the extent of Rs.15.00 crore

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

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ABOUT SMERA

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