

Press Release

Rampex Labs Private Limited (RLPL)

19 January, 2018



Rating Upgraded

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

*Refer Annexure for details

Rating Rationale

SMERA has upgraded the long term to '**SMERA B+**' (**read as SMERA B plus**) and short term rating to '**SMERA A4**' (**read as SMERA A four**) from **SMERA D** on the above mentioned facilities of Rampex Labs Private. The outlook is **Stable**.

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

List of key rating drivers and their detailed description

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.

Moreover RLPL is a registered "Export House" from Director General of Foreign Trade which helps them to cater to export orders.

Reputed clientele: RLPL caters mainly to the pharma industry manufacturers. The company has a reputed list of clients including Sun Pharma, Intas, Akums, Dr Reddy's and Emcure to name a few.

Weaknesses

Average financial risk profile: The tangible networth stood at Rs.47.07 crore as on 31 March, 2017 as against Rs.36.81 crore as on 31 March, 2016. The gearing stood at 1.12 times as on 31 March, 2017 as against 1.48 times as on 31 March, 2016. The total debt of Rs.52.85 crore as on 31 March, 2017 majorly comprises term loan of Rs. 28.31 crore and working capital loan of Rs. 17.92 crore. The average financial risk profile is marked by modest debt protection metrics evident from the interest coverage ratio (ICR) of 1.47 times and Debt service coverage ratio (DSCR) of 0.85 times in FY2016-17 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.3.97 crore in FY2016-17 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.

Uneven trend in profitability: RLPL operating margin stood at 12.00 percent in FY2017 over 11.54 percent in FY2016. The margins are ably maintained on account of realisation of gain from foreign exchange fluctuations during the year. The net profit margins were uneven on account and stood at 0.72 percent in FY2017 as against 1.23 percent and 0.94 percent in FY2015. The decline in profitability was on account of decline in absolute operating margin in FY2017. Moreover the margins are supported by deferred income tax of Rs.0.47 crore for FY2017.

Working capital intense nature of operations: The company's working capital intensive operations are evident from its high gross current asset days of 226 in FY2017 as against 169 days in FY2016. This is mainly on account of high inventory days of 125 days and debtor days of 84 days in FY2017. The working capital limit has been almost fully utilised during the last six months ended October, 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.

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

Outlook: Stable

SMERA believes that RLPL will maintain a stable outlook over the medium term on account of its experienced management and healthy order book position. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue and profitability while maintaining improving its debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of lower than-expected growth in revenue and profitability or deterioration in the financial risk profile owing to higher than expected working capital requirement.

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 Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	89.99	105.71	68.99
EBITDA	Rs. Cr.	10.80	12.20	6.08
PAT	Rs. Cr.	0.64	1.29	0.65
EBITDA Margin	(%)	12.00	11.54	2.99
PAT Margin	(%)	0.72	1.23	0.94
ROCE	(%)	7.99	10.00	6.41
Total Debt/Tangible Net Worth	Times	1.12	1.48	1.54
PBDIT/Interest	Times	1.47	1.66	1.67
Total Debt/PBDIT	Times	4.81	4.43	8.93
Gross Current Assets (Days)	Days	226	166	218

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
27-Sep-2017	Term Loan	Long Term	26.75	SMERA D (Downgraded)
	Cash Credit*	Long Term	23.00	SMERA D (Downgraded)
	Letter of credit#	Short Term	8.00	SMERA D (Downgraded)
	Bank guarantee/Letter of Guarantee	Short Term	1.00	SMERA D (Downgraded)
	Proposed Long term	Long Term	4.95	SMERA D (Assigned)
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)
	Term Loan	Long Term	INR 37.7	SMERA BBB- / Stable (Reaffirmed)
13-Feb, 2015	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 I	Not Applicable	Not Applicable	Not Applicable	0.16	SMERA B+ (Upgraded)
Term Loan II	Not Applicable	Not Applicable	Not Applicable	2.05	SMERA B+ (Upgraded)
Term Loan III	Not Applicable	Not Applicable	Not Applicable	21.40	SMERA B+ (Upgraded)
Cash Credit*	Not Applicable	Not Applicable	Not Applicable	23.00	SMERA B+ (Upgraded)
Letter of credit#	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA A4 (Upgraded)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA A4 (Upgraded)
Proposed Long term	Not Applicable	Not Applicable	Not Applicable	8.09	SMERA B+ (Upgraded)

*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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