

## Press Release

### Rampex Labs Private Limited

December 12, 2018

### Rating Upgraded



<b>Total Bank Facilities Rated*</b>	Rs. 63.70 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable (Upgraded from ACUITE B+/ Stable)
<b>Short Term Rating</b>	ACUITE A4+ (Upgraded from A4)

\* Refer Annexure for details

### Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) from '**ACUITE B+**' (read as **ACUITE B plus**) and the short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 63.70 crore bank facilities of Rampex Labs Private Limited (RLPL). The outlook is '**Stable**'.

RLPL, incorporated in 2004, is headed by Mr. Prasanth Chemuduri, Mr. Prasada Rao J V V, Mr. J S V N Sastry- Full-time Directors and Mr. Ranga N B Gorrepati- Chairman. The company is engaged in manufacturing of bulk drug intermediates located at IDA Bollaram in Medak (Telangana) with installed capacity of 248 tons per annum. RLPL is also engaged in the manufacturing of active pharmaceutical ingredients (APIs) at Visakhapatnam (Andhra Pradesh) since September 2014 with an installed capacity of 300 tons per annum.

### Analytical Approach

Acuité has considered the standalone financial and business risk profiles of RLPL to arrive at the ratings.

### Key Rating Drivers

#### Strengths

##### • Experienced management

RLPL's management has around two decades of experience in drug manufacturing business. Besides, the management is ably supported by qualified and experienced staff. This has enabled the company forge established relationships with customers and suppliers. Moreover, RLPL is a registered 'Export House' from Director General of Foreign Trade which helps them to cater to export orders.

##### • Reputed clientele

RLPL deals with reputed client base including Janssen Pharmaceutical, Belgium (unit of Johnson & Johnson), Cadila Healthcare Limited, Piramal Enterprises Limited, Aarti Drugs Limited and Intas Pharmaceuticals Limited. 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 among the domestic players.

#### Weaknesses

##### • Moderately working capital intensive nature of operations

The moderate working capital intensive operations are evident from its high Gross Current Assets (GCA) of 176 days in FY2018 and 226 days in FY2017. This is mainly on account of high inventory of 89 days in FY2018 and 125 days in FY2017. Further supported by moderate debtors of 78 days in FY2018 and 84 days in FY2017. The working capital limit has stood at 88.68 percent utilised during the last six months ended October, 2018.

#### • Exposure to fluctuations in raw material prices

The Major raw materials include Methanol, Potassium Carbonate, Sodium Acetate Trihydrate, Thionyl Chloride, the prices of which are volatile in nature. Hence, the profitability is exposed to raw material fluctuation risk.

#### Outlook: Stable

Acuite 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 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.

#### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	112.85	89.99	105.71
EBITDA	Rs. Cr.	10.89	10.80	12.20
PAT	Rs. Cr.	1.04	0.64	1.29
EBITDA Margin	(%)	9.65	12.00	11.54
PAT Margin	(%)	0.92	0.72	1.23
ROCE	(%)	7.07	7.99	10.00
Total Debt/Tangible Net Worth	Times	0.79	1.00	1.47
PBDIT/Interest	Times	1.89	1.47	1.66
Total Debt/PBDIT	Times	4.22	4.55	4.41
Gross Current Assets (Days)	Days	179	226	166

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

Not Applicable

#### Any other information

None

#### Applicable Criteria

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

#### Note on complexity levels of the rated instrument

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

#### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
19-Jan-2018	Term Loan	Long Term	23.61	ACUITE B+/ Stable (Upgraded)
	Cash Credit	Long Term	23.00*	ACUITE B+/ Stable (Upgraded)
	Letter of Credit	Short Term	8.00#	ACUITE A4 (Upgraded)
	Bank Guarantee	Short Term	1.00	ACUITE A4 (Upgraded)
	Proposed Long Term	Long Term	8.09	ACUITE B+/ Stable

	Loan			(Upgraded)
27-Sep-2017	Term Loan	Long Term	26.75	ACUITE D (Downgraded)
	Cash Credit	Long Term	23.00*	ACUITE D (Downgraded)
	Letter of Credit	Short Term	8.00#	ACUITE D (Downgraded)
	Bank Guarantee	Short Term	1.00	ACUITE D (Downgraded)
	Proposed Long Term Loan	Long Term	4.95	ACUITE D (Assigned)
11-Jul-2017	Term Loan	Long Term	37.70	ACUITE BB / Stable (Indicative)
	Cash Credit	Long Term	17.00*	ACUITE BB / Stable (Indicative)
	Letter of Credit	Short Term	8.00#	ACUITE A4+ (Indicative)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Indicative)

\*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 loans	Not Applicable	Not Applicable	Not Applicable	20.44	ACUITE BB-/ Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	23.00*	ACUITE BB-/ Stable (Upgraded)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	8.00#	ACUITE A4+ (Upgraded)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Upgraded)
Proposed long term	Not Applicable	Not Applicable	Not Applicable	11.26	ACUITE BB-/ Stable (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 crore

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**About Acuité Ratings & Research:**

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