February 20, 2025

Gopaldas Visram And Company Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based – Term loan	38.27	32.27	[ICRA]BBB+ (Stable); reaffirmed
Long-term – Fund-based – Cash credit	28.50	28.50	[ICRA]BBB+ (Stable); reaffirmed
Short-term – Non-fund based limits – Others	10.50	16.00	[ICRA]A2; reaffirmed
Long-term/short-term- Unallocated	-	0.5	[ICRA]BBB+ (Stable)/[ICRA]A2; reaffirmed
Total	**77.27**	**77.27**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reaffirmation of Gopaldas Visram and Company Limited (GVCL) factors in the company's stable credit profile driven by steady margins, comfortable capital structure and adequate liquidity position. The ratings also continue to factor in the extensive experience of the promoters and the company's established business position in the pharmaceutical and packaging industries, which also provide revenue diversification benefits. Leveraging on the same, the company has developed a diversified product portfolio and geographic presence and established long relations with its key customers, which include reputed Indian pharmaceutical companies.

The ratings, however, remain constrained by the company's moderate scale of operations and the working capital-intensive nature of the business. ICRA notes that the company has recently commercialised the operations of its new unit engaged in the packaging segment at Halol, Gujarat. The operations of the plant will be gradually ramped up after the receipt of necessary customer approvals and product validation. The same remains a key monitorable. GVCL's operating profit margin (OPM) is also exposed to the high competitive intensity of the industry and adverse fluctuations in raw material prices and foreign exchange (forex rates). Further, the company's operations are susceptible to regulatory risks in the form of timely approvals and regular audits and inspections by the regulatory authorities. ICRA also notes GVCL's high customer concentration, with the top 10 customers accounting for 66% of revenues in FY2024.

In FY2024, GVCL has provided corporate guarantees of Rs. 16.4 crore to Liangzi Quantum Applications Pvt Ltd and Rs. 22.6 crore to Ryoshi Quantum Mechanics Pvt Ltd, which are promoter-backed entities. Any further increase in corporate guarantees by GVCL will be key rating monitorable.

The Stable outlook on the long-term rating reflects ICRA's opinion that GVCL's revenue growth and OPM will remain supported by the gradual scale-up in capacity of the packaging unit. This, coupled with limited capital expenditure (capex) plans, will adequately support the debt coverage indicators.

Key rating drivers and their description

Credit strengths

Experienced promoters – GVCL is a part of the Gopaldas Visram Group, which commenced operations in 1945. It was set up by the Late Gopaldas Visram Thakker and his son, the Late Vallabhdas Gopaldas Thakker. At present, the company's operations are handled by the third and fourth generations of the Thakker family. Apart from GVCL, the Thakker family are promoters of other Group companies, which are involved in contract manufacturing for the pharmaceutical and packaging industries. Overall, the group has eight decades of experience.

Comfortable leverage and coverage indicators - GVCL has a comfortable financial risk profile, as marked by steady internal accrual generation, comfortable capital structure and coverage metrics. The company reported 18.7% YoY growth in top line to Rs. 277.9 crore in FY2024. Its OPM remained satisfactory at 18.8%. Given the comfortable capital structure, marked by limited debt levels, GVCL’s gearing has remained low at 0.2 times, with total outside liabilities vis-à-vis tangible net worth of 0.8 times as on March 31, 2024. The debt coverage indicators also remain healthy, with interest cover of 8.6 times and total debt vis-à-vis operating profit of 0.9 times as on March 31, 2024. In FY2024, GVCL has provided corporate guarantees of Rs. 16.4 crore to Liangzi Quantum Applications Pvt Ltd and Rs. 22.6 crore to Ryoshi Quantum Mechanics Pvt Ltd, which are promoter-backed entities. Any further increase in corporate guarantees by GVCL will be key rating monitorable.

Diversified revenue streams catering to the pharmaceutical and packaging segments – The company’s operations are primarily bifurcated into two segments—pharmaceuticals and packaging. The pharmaceuticals segment accounts for ~67% of its total revenues, while the remaining is attributed to the packaging segment. Under the pharmaceutical business, ~48% of the revenues are generated through loan-licence model and the rest by third-party manufacturing. The company has a wide base of ~150 products in liquid, semi-solid dosage and powder forms for human consumption, animal health care, cosmetic products, and others. Under its packaging segment, GVCL is involved in manufacturing drug master file (DMF)-grade high density polyethylene (HDPE) bottles/caps for several reputed pharmaceutical companies. The company operates its packaging business from its United States Food and Drug Administration (US FDA) certified facility at Goa and Halol. GVCL’s 80-82% of the revenue is derived from the Indian domestic market and the rest is from USA (15-16%), Bangladesh, African and European countries, etc.

Credit challenges

Moderate, albeit growing scale of operations – Despite steady revenue growth over the years, GVCL's scale of operations remains moderate at Rs. 279.3 crore. This is also partly due to some of the revenue being generated by the job-work activity carried out by the company for some of its customers. ICRA notes that the company has recently commercialised the operations of its new unit engaged in the packaging segment at Halol (Gujarat). The operations of the plant will be gradually ramped up after the receipt of necessary customer approvals and product validation. The same remains a key monitorable.

High customer concentration risk although established relationships with key customers mitigate the risk to an extent – The company remains exposed to high customer concentration risk as its top 10 customers generated ~66% of its revenues in FY2024. However, the extensive experience of the promoters in the industry led to stronger business relationships with the existing customers, enabling repeat orders, which mitigate the risk to an extent.

Intense competition limits margin flexibility to an extent; operations exposed to regulatory risks – The domestic generic formulations industry faces stiff competition from numerous contract manufacturers, multinational companies as well as established domestic brands with a pan-India presence. This intense competition in the industry, coupled with exposure to raw material price volatility and forex rates restrict GVCL’s margin flexibility to an extent. The company’s operations remain exposed to regulatory risks in terms of product/facility approvals/socio-political environment of export destinations. The timely facility approval/renewal along with a stable macroeconomic environment, remain key for direct/indirect sales in the various regulated and semi-regulated markets.

Liquidity position: Adequate

GVCL’s liquidity position is adequate, supported by free cash and balances of Rs. 4.0 crore, as on December 31, 2024, along with sufficient buffer in its working capital limits with average utilisation of 14% against drawing power and 22% against sanctioned limits of Rs. 28.5 crore during the last 12 months ended in December 2024. There are no major capex plans. The company's internal accrual generation and cash availability are expected to be sufficient for debt repayment of Rs. 10-11 crore per annum (p.a.) during FY2025-FY2026.

Rating sensitivities

Positive factors – ICRA could upgrade GVCL's ratings, if it demonstrates healthy growth in its scale and accrual generation while sustaining its liquidity profile and debt protection metrics. Additionally, a satisfactory ramp-up of production in the recently commissioned Halol facility will also be a key factor for rating upgrade.

Negative factors – The ratings may be downgraded, if there is a significant decline in revenues/profitability, or deterioration in liquidity profile on a sustained basis. A specific credit metric for a downgrade is if GVCL's total debt vis-à-vis operating profit weakens to more than 2.3 times, on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Pharmaceuticals
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

GVCL is a part of the Gopaldas Visram Group, which was established in 1945 by the Late Gopaldas Visram Thakker and his son, the Late Vallabhdas Gopaldas Thakker. The company is involved in liquids, ointments, and personal care product formulation development and manufacturing for the pharmaceutical industries, as well as packaging products, used for the pharma industry. Mr. Dinesh Thakker, Mr. Chandresh Thakker and Mr. Mukund Thakker, the sons of Mr. Vallabhdas Thakker, are the key shareholders and management of the company. GVCL operates from its two factory units and warehousing units under the pharma business in MIDC, Navi Mumbai (Maharashtra), and two manufacturing units in Goa and Halol (Gujarat) for its packaging business.

Key financial indicators (audited, standalone)

GVCL - Standalone	FY2023	FY2024
Operating income	235.3	279.3
PAT	25.6	29.9
OPBDIT/OI	19.6%	18.8%
PAT/OI	10.9%	10.7%
Total outside liabilities/Tangible net worth (times)	0.9	0.8
Total debt/OPBDIT (times)	1.0	0.9
Interest coverage (times)	13.8	8.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

		Current (FY2025)		Chronology of rating history for the past 3 years							
				FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount rated (Rs. crore)	Feb 20, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Term loan	Long-term	32.27	[ICRA]BBB+ (Stable)	-	-	Oct-30-23	[ICRA]BBB+ (Stable)	Jul-14-22	[ICRA]BBB+ (Stable)	Apr-29-21	[ICRA]BBB+ (Stable)
			-	-	-	Nov-23-23	[ICRA]BBB+ (Stable)	-	-	-	-
Fund-based – Cash credit	Long-term	28.50	[ICRA]BBB+ (Stable)	-	-	Oct-30-23	[ICRA]BBB+ (Stable)	Jul-14-22	[ICRA]BBB+ (Stable)	Apr-29-21	[ICRA]BBB+ (Stable)
			-	-	-	Nov-23-23	[ICRA]BBB+ (Stable)	-	-	-	-
Non-fund based limits – Others	Short-term	16.00	[ICRA]A2	-	-	Oct-30-23	[ICRA]A2	Jul-14-22	[ICRA]A2	Apr-29-21	[ICRA]A2
			-	-	-	Nov-23-23	[ICRA]A2	-	-	-	-
Unallocated limits	Long-term/ Short-term	0.5	[ICRA]BBB+ (Stable)/ [ICRA]A2	-	-	-	-	Jul-14-22	[ICRA]BBB+ (Stable) / [ICRA]A2	Apr-29-21	[ICRA]BBB+ (Stable) / [ICRA]A2

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based – Term loan	Simple
Fund-based – Cash credit	Simple
Non-fund based limits – Others	Very simple
Unallocated limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	**Fund-based – Term loan**	FY2017	~9.0 - 9.5%	FY2026	32.27	[ICRA]BBB+ (Stable)
NA	**Fund-based – Cash credit**	NA	NA	NA	28.50	[ICRA]BBB+ (Stable)
NA	**Non-fund based limits – Others**	NA	NA	NA	16.00	[ICRA]A2
	Unallocated limits-LT/ST				0.5	[ICRA]BBB+ (Stable) / [ICRA]A2

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis – Not applicable

ANALYST CONTACTS

Shamsher Dewan
+91 124 4545328
shamsherd@icraindia.com

Kinjal Shah
+91 022 61143400
kinjal.shah@icraindia.com

Sakshi Suneja
+91 22 6169 3349
sakshi.suneja@icraindia.com

Ronak Vadher
+91 022 61693341
ronak.vadher@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches