

SVR Laboratories Private Limited

Instrument	Amount in Rs crore	Rating
Long Term Fund Based Limits	6.00 (Revised from Rs. 7.05 crore)	[ICRA]BB (Stable); reaffirmed
Short Term Non-Fund Based Limits	1.90 (revised from Rs. 3.00 crore)	[ICRA]A4+; reaffirmed
Long/Short Term Unallocated Limits	5.10 (Revised from Rs. 2.95 crore)	[ICRA]BB (Stable)/[ICRA]A4+; reaffirmed

ICRA has reaffirmed the long term rating of [ICRA]BB (pronounced ICRA double B) assigned to the Rs. 6.00 crore (revised from Rs. 7.05 crore)¹ fund based limits of SVR Laboratories Private Limited (SVRLPL)². ICRA has reaffirmed the short term rating of [ICRA]A4+ (pronounced ICRA A four plus) assigned to the Rs. 1.90 crore (revised from Rs. 3.00 crore) non-fund based limits of SVRLPL. ICRA has also reaffirmed the ratings of [ICRA]BB/[ICRA]A4+ assigned to the Rs. 5.10 crore (revised from Rs. 2.95 crore) unallocated limits of SVRLPL. The outlook on the long term rating is Stable.

The reaffirmation of ratings continues to factor in over two decades of experience of the promoters in the pharmaceutical bulk drug & intermediate industry; established relationships with customers like Hetero Drugs, Aurobindo Pharma, etc; and healthy growth in revenues by 45% and 30% during FY2015 & FY2016 primarily owing to increase in reactor capacity and product diversification with manufacturing of anti-inflammatory, anti-retroviral, migraine and anti-psychotic intermediates. However, the ratings are constrained by small scale of operations with revenues of Rs. 42.14 crore in FY2016; high dependence on low value intermediates resulting in thin profitability levels; highly competitive bulk drug industry resulting in limited pricing power. The ratings are also constrained by high working capital utilization on account of high debtors and inventory days; high customer concentration with top 5 customers contributing to ~80% of revenues during the last 2 years and restrictions by TSPCB (Telangana State Pollution control board) on expansion of facilities in Hyderabad.

The ability of the company to increase revenues, improve profitability and diversify its customer base will be the key rating sensitivity going forward.

Company Profile

SVRLPL was incorporated in the year 2003 and started its commercial production in the year 2008. The company was acquired by its current directors in the year 2010. SVRLPL was primarily into the production of Pantoprazole (PPZ) intermediates and has a manufacturing facility in Nalgonda, Telangana with a total capacity of 150 KL. The company has four directors: Mr. P Nageswara Rao, Mr. V V Ravi Kumar, Mr. Murali Krishna, and Mrs. P Naga Durga. The promoters also own SVR Drugs Private Limited (SVRDPL) with a plant in Vishakhapatnam which was started to meet increased demand of Pantoprazole intermediates of its customers. SVRDPL started its commercial operation in July, 2012.

Recent Results

As per audited financials for FY2015, SVRLPL reported an operating income of Rs. 32.44 crore with profit after tax of Rs. 0.96 crore and Rs. 42.14 crore of operating income with profit before tax of Rs. 2.31 crore for FY2016 (unaudited and provisional).

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¹100 lakh = 1 crore = 10 million

²For complete rating scale and definitions, please refer to ICRA's website <http://www.icra.in> or other ICRA Rating Publications.



For further details please contact:

Analyst Contacts:

Mr. K. Ravichandran, (Tel. No. +91-44-45964301)
ravichandran@icraindia.com

Relationship Contacts:

Mr. Jayanta Chatterjee (Tel. No. +91-80-43326401)
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax:
+91-79-25569231

Pune**Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500