

## Vamsi Labs Limited

Instrument	Amount	Rating Action
Long Term, Fund Based – Cash Credit	Rs. 4.00 crore	[ICRA]BB-(Stable) Upgraded
Long Term - Unallocated	Rs. 5.95 crore (enhanced from Rs. 3.62 crore)	[ICRA]BB-(Stable) Upgraded
Short Term, Non-Fund Based	Rs. 2.25 crore	[ICRA]A4 Reaffirmed

ICRA has upgraded the long term rating to [ICRA]BB- (pronounced ICRA double B minus) for Rs. 4.00 crore cash credit and Rs. 5.95 crore (enhanced from Rs.3.62 crore) unallocated amount of Vamsi Labs Limited (VLL/the company)<sup>†</sup>. ICRA has also reaffirmed the short term rating of [ICRA]A4 (pronounced ICRA A four) for Rs. 2.25 crore short term non-fund based facility of VLL. The outlook on the long term rating is Stable.

The rating revision reflects improved profitability of the company benefitting from favourable product mix along with resulting improvement in capital structure; with gearing coming down to 0.9x and interest coverage improving to 8.12x as on March 2016 compared to gearing of 1.23x times and interest coverage of 5.36x as on March 2015. The ratings continue to favourably factor in long standing experience of promoters in pharmaceutical API industry and diversified geographic and client profile of the company. ICRA also notes that VLL is the key supplier for some of the anti asthma intermediates in both domestic and exports market.

The ratings, however, remain constrained by small scale of operations concentrated towards anti asthma therapy with supply mainly restricted to semi regulated and unregulated markets. The company has registered healthy growth over last two fiscals albeit on a small base and growth prospects remain limited by balance sheet size given capital intensive nature of API industry. The company has also paid sizeable dividend in FY2016 and extent of the future dividend payouts remain a concern. The company promoters are setting up a new unit in Hyderabad under sister concern, Vamsi Pharma to cater to regulated exports market along with work as forward integration of VLL. The funding requirement for the new unit could be met through dividend payout from VLL affecting company cash flows though new unit will provide incremental business to the company. ICRA also take note of exposure of the company to the forex movement and regulatory environment prevailing in the domestic and exports market.

Going forward, scaling up operations and maintaining adequate operating margins will remain key rating sensitivities.

### Company Profile

VLL, based out of Solapur Maharashtra, is engaged in manufacturing APIs and intermediates for therapeutic segments like Anti-asthmatic, Antiemetic, Antidiarrhoeal, Antipsychotic and Piperidine/ Piperidone derivatives. The company was promoted by Mr. M Kesava Reddy and his co-brother Mr. G Pratap Reddy in 1991.

### Recent Results

VLL reported OPBDIT of Rs. 7.04 crore in FY2016 on an operating income of Rs. 40.82 crore. The company had reported PAT of Rs. 3.54 crore during the same period (provisional and unaudited financial).

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<sup>†</sup> For complete rating definition, please refer to ICRA website [www.icra.in](http://www.icra.in) or any of the ICRA Rating Publications.



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