

Vapi Care Pharma Private Limited

October 24, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	0.37 (Reduced from 0.66)	CARE BBB-; Stable	Reaffirmed
Long-term/Short-term bank facilities	9.50	CARE BBB-; Stable / CARE A3	Reaffirmed
Short-term bank facilities	1.00	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Vapi Care Pharma Private Limited (VCPPL) continue to derive strength from comfortable capital structure, debt coverage indicators and adequate liquidity. Ratings further continue to derive strength from extensive experience of promoters in pharmaceutical industry, diversified product mix covering several therapeutic segments, WHO-GMP certified facilities and reputed although concentrated customer base.

However, ratings strengths are offset by moderate scale of operations, moderate profitability which further declined marginally in FY24 (Audited, FY refers to April 01 to March 31), presence in highly fragmented and regulated nature of industry with susceptibility of profit margins to raw material price volatility.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations marked by total operating income (TOI) above ₹100 crore with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of 10% and above on sustained basis.
- Achieving return on capital employed (ROCE) of 13% or above on sustained basis.

Negative factors

- De-growth in TOI and gross cash accruals (GCA) by over 30%.
- Any debt funded capex leading to deterioration of capital structure marked by an overall gearing ratio of higher than 1.25x.
- Elongation of operating cycle to over 100 days.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes VCPPL will continue to benefit from strengths of its experienced promoters in pharmaceutical industry and will sustain its overall financial risk profile.

Detailed description of key rating drivers:

Key strengths

Extensive experience of promoters in the pharmaceutical industry

VCPPL's overall operations are managed by Kamal Shah who holds healthy experience of over three decades in pharma industry. The promoter is also assisted by qualified and experienced top management team. Being in the industry for long, enabled the promoter in gaining adequate acumen about the business, which aids in the company's smooth operations. Apart from this, VCPPL's directors also promoted two partnership concerns, including Yash Packaging and Saroj Packaging which are engaged in manufacturing pharmaceutical packaging products.

Comfortable capital structure and debt coverage indicators

VCPPL's leverage position remained highly comfortable marked by overall gearing at 0.02x as on March 31, 2024, as against 0.04x as on March 31, 2023, considering moderate net worth base of ₹59.88 crore against outstanding total debt of ₹1.32 crore as on March 31, 2024. Debt coverage indicators also remained comfortable marked by total debt to GCA (TD/GCA) of 0.32x as on March 31, 2024 (FY23- 0.54x). Interest coverage ratio continue to remain at comfortable level of 15.14x in FY24 as against 22.63x in FY23. Going further, with no capex plan, capital structure and debt coverage indicators are expected to remain comfortable.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Diversified product mix covering several therapeutic segments

VCPPL manufactures varied products across therapeutic segments such as Antibiotic, Anti-malaria, Anti-Infective, Pain management, Dermatology, Anti-Diabetic, Cardiac Care, Orthopaedic, Paediatrics, Gastro, Central Nervous System (CNS) and many more covering almost every major therapeutic segment. VCPPL has established a strong presence in the local market in the last three decades.

WHO-GMP certified manufacturing facilities

VCPPL has manufacturing operations complying with highest quality standards in India to provide best quality products to the Indian market. The manufacturing facilities are built as per the GMP standards and are WHO GMP Certified.

Reputed customers base despite concentration and retention risk exists

VCPPL is in pharma formulations since almost three decades and has an established customer base leading to lowering the counterparty credit risk. VCPPL's customer portfolio includes reputed pharma players such as Alembic Pharmaceuticals Limited, Mankind Pharma Limited, and Shalina Laboratories Private Limited among others. However, the customer base remained concentrated with top five customers contributing 83% and 87% of TOI for FY24 and FY23, respectively. Moreover, there are no long-term contract arrangements with the customers under contract manufacturing segment, which impedes the revenue visibility.

Key weaknesses

Moderate scale of operations despite declining profitability

In the last four fiscals ended FY24, VCPPL's scale of operations marked by TOI are growing although, it is at a moderate level of ₹85.25 crore in FY24 against ₹77.80 crore in FY23. VCPPL's profitability position marked by PBILDT margin moderated to 4.78% in FY24 as against 5.43% in FY23; due to increase in costs of raw material consumed. Operating profit remained at ₹4.07 crore in FY24 similar to ₹4.22 crore in FY23. In H1FY25, VCPPL reported TOI of ₹34.63 crore with PBILDT margin of 5.60%.

Presence in highly fragmented and regulated industry

The company faces intense competition in domestic markets. Pricing pressure, increasing regulation, increased sensitivity towards product performance are the key issues in pharmaceutical industry. Pharmaceutical industry has been a highly regulated industry worldwide by virtue of its direct bearing on public health. Further, government regulations, including those implemented by the National Pharmaceutical Pricing Authority (NPPA), have also impacted the industry's growth and profitability. Nevertheless, domestic formulations segment is expected to grow led by rise in chronic diseases, increasing per capita income and improvement in access to healthcare facilities and growing penetration of health insurance.

Susceptibility to volatility in prices of raw material

Major raw materials required for the company are API (Active Pharmaceuticals Ingredients); prices of which are volatile. Since, raw material is the major cost driver for the company, upward movement in raw material prices, with no increase in prices of finished products in an intensely competitive industry may result in adverse performance of the company.

Liquidity: Adequate

VCPPL's liquidity position remains adequate marked by sufficient cushion in accruals against repayment obligations and moderate utilisation of available cash credit limits. The average of monthly utilisation of fund-based limit remained at 20% for the last 12 months ending September 30, 2024. The company has unutilised working capital limits of ~80% to meet its incremental working capital requirement. Cash and liquid investments remained at ₹6.18 crore as on March 31, 2024. VCPPL's operating cycle continue to remain moderate at 54 days in FY24 (52 days in FY23). Cash flow from operations deteriorated from positive of ₹6.34 crore in FY23 to negative CFO of ₹3.71 crore in FY24 which is mainly due to averaging effect of working capital changes.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Pharmaceuticals](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Healthcare	Healthcare	Pharmaceuticals and biotechnology	Pharmaceuticals

Vapi-based (Gujarat) VCPPL was incorporated as a private limited company in 1996. The company is engaged in contract manufacturing pharmaceutical formulations of Beta-Lactam and Non-Beta-Lactam products with an installed capacity of 1800 million tablets strips, 224 million capsules strips, 24 million dry syrups, 24 million liquid orals and 9 million ointments as on March 31, 2024. VCPPL has its WHO-GMP approved plant at Vapi GIDC and Regulatory Authority of Nigeria. VCPPL has extensive presence in Asia, Africa, and Latin America.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (Prov.)
Total operating income	77.80	85.25	34.63
PBILDT	4.22	4.07	1.94
PAT	2.86	2.90	-
Overall gearing (times)	0.04	0.02	-
Interest coverage (times)	22.63	15.14	27.71

A: Audited, Prov.: Provisional Note: these are latest available financial results

Status of non-cooperation with previous CRA: CRISIL has suspended rating assigned to bank facilities of VCPPL vide press release dated September 12, 2014, considering non-cooperation by VCPPL with CRISIL's efforts to undertake a review of ratings outstanding.

ICRA has suspended rating assigned to bank facilities of VCPPL vide press release dated June 21, 2016, considering non-cooperation by VCPPL with ICRA's efforts to undertake a review of Ratings outstanding.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	June-2025	0.37	CARE BBB-; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	7.00	CARE BBB-; Stable / CARE A3
Fund-based/Non-fund-based-LT/ST		-	-	-	2.50	CARE BBB-; Stable / CARE A3
Non-fund-based - ST-Bank Guarantee		-	-	-	1.00	CARE A3

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-Cash Credit	LT/ST	7.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (07-Nov-23)	1)CARE BB+; Stable / CARE A4+ (27-Sep-22)	1)CARE BB; Stable / CARE A4 (01-Nov-21)
2	Non-fund-based - ST-Bank Guarantee	ST	1.00	CARE A3	-	1)CARE A3 (07-Nov-23)	1)CARE A4+ (27-Sep-22)	1)CARE A4 (01-Nov-21)
3	Fund-based - LT-Term Loan	LT	0.37	CARE BBB-; Stable	-	1)CARE BBB-; Stable (07-Nov-23)	1)CARE BB+; Stable (27-Sep-22)	1)CARE BB; Stable (01-Nov-21)
4	Fund-based/Non-fund-based-LT/ST	LT/ST	2.50	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (07-Nov-23)	1)CARE BB+; Stable / CARE A4+ (27-Sep-22)	1)CARE BB; Stable / CARE A4 (01-Nov-21)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities- Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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