

Vimta Labs Limited (Revised)

August 6, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	37.67 (Reduced from 51.62)	CARE A; Stable	Reaffirmed
Long-term / Short-term bank facilities	34.00	CARE A; Stable / CARE A1	Reaffirmed
Short-term bank facilities	1.78	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings for Vimta Labs Limited's (Vimta's) bank facilities continue to reflect its strong position, supported by an experienced management team with over 35 years of proven expertise in the contract research and testing (CRT) industry. The company benefits from a well-diversified revenue base, offering services across pharmaceutical analyses and research, pre-clinical and clinical research, food testing, environmental analysis, and electrical/electronic testing. It also has a well-established client network. The company's margins are shaped by the complexity and volume of projects, with these orders generating higher returns. In FY25, Vimta achieved a profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of 36% and a profit after tax (PAT) margin of 19%, supported by strong growth in pharma testing, better operational efficiency, and the strategic divestment of its low-margin diagnostics business, while food testing grew steadily and electronics testing remained stable. Vimta's financial position is further strengthened by healthy capital structure, strong coverage metrics, minimal dependence on external borrowings, and comfortable liquidity, as indicated by low working capital utilisation and a cash balance of ₹32 crore as on March 31, 2025.

However, these rating strengths are partly offset by Vimta's relatively moderate scale of operations and its exposure to regulatory risks tied to Good Practice (GXP) standards such as Good Manufacturing Practice (GMP), Good Clinical Practice (GCP), and Good Laboratory Practice (GLP), which require regular capital expenditure for upkeep with technology and required lab space.

Rating sensitivities: Factors likely to lead to rating actions
Positive factors

- Notably growing total operating income (TOI) by over 20% y-o-y, while achieving return on capital employed (ROCE) of 25% or above on a sustained basis.

Negative factors

- Significantly declining TOI or PBILDT margins, falling below 20% on a sustained basis.
- Declining overall gearing above 0.35x or considerable weakening liquidity profile.
- Unforeseen regulatory hurdles adversely affecting business operations.

Analytical approach: Standalone
Outlook: Stable

The stable outlook on rating considers completion of construction of lab space which will support growth in scale of operations while benefitting from its established presence in the industry, sustained healthy profitability margins, and a conservative capital structure.

Detailed description of key rating drivers:

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

Key strengths

Long track record of operation and experienced management in the business and high net worth base

The management is well experienced in the contract research industry, and the company has an established track record of more than three decades. Vimta has an established market position, with a network of 10 laboratories spread across the country, including multiple branch laboratories for food testing. The company has plans to expand its electronic testing business unit and take advantage of the growing electrical and electronics industry. It is also foraying in biologics contract research and development services which are expected to commercialise in Q1 FY27.

Established track record of operation in analytical, preclinical and clinical research and testing domain with accredited labs

Vimta is into CRT services with more than three decades of established track record. It offers specialised services such as pharma analytical, clinical research, pre-clinical, and related services (analytical drug development and discovery services) at its two central laboratories at Hyderabad. It also provides services in food testing, environment testing, and newly launched electrical and electronic testing, diversifying its services portfolio. Vimta has been inspected by regulatory authorities such as - USFDA, EMA, UK-MHRA, WHO, NGCMA, DCGI-India, and Drug Regulatory Agencies of several other countries.

Vimta is a first company in Asia to be pre-qualified by WHO in 2008. It is the only lab in India to be approved by EU for Guargum testing. Vimta operates the National Food Lab at JNPT, Navi Mumbai for FSSAI under PPP model and its Hyderabad Lab has been notified by FSSAI as National Reference Laboratory. Over the years, Vimta has employed skilled man-power resource to ensure smooth functioning and successful completion of the projects undertaken.

Established relationship with reputed clientele and diversified customer base

Vimta has maintained a well-diversified customer base across key sectors, including pharmaceuticals, contract research and testing services and food testing services. This broad industry presence not only supports revenue stability but also positions the company to benefit from growth opportunities in multiple verticals.

Steady growth with strong profit margin and satisfactory returns ratio

Vimta has diversified revenue streams, which protects from inevitable ebbs and flows in the industry. The steady growth in TOI driven by increased demand in pharmaceutical contract research and testing services and food testing services. The company improved operational efficiency through technology deployments and capacity expansion at its Hyderabad facility. Export revenues also grew steadily driven largely by increased demand for pharma-related services, such as preclinical studies, clinical research, and cGMP analytical services.

The company's margin is also determined by the complexity of projects it undertakes, the more complex the project, the higher the margin, and vice versa. Similarly, the company's margins are determined by volumes of business, higher volumes lead to better economies of scale. In FY25, profitability margins improved with PBILDT margins at 36%, while PAT margins at 19% backed by the strong growth in the pharma testing services and improved operational efficiency. Additionally, the divestment of its low-margin diagnostic business has allowed it to focus more on high-growth, high-margin divisions, while food testing services also expanded steadily with the electronics testing division remaining stable. ROCE remained satisfactory at 26% in FY25.

Vimta reported Q1 FY26 total income of ₹99.3 crore with net profit of ₹18.9 crore. The company maintained strong margins and announced a 1:1 bonus issue.

Comfortable capital structure and debt coverage indicators

Vimta maintained a comfortable capital structure in FY25, with a low overall gearing ratio of 0.02x and a healthy tangible net worth of ₹372.43 crore as on March 31, 2025. Its debt included a term loan, primarily used to purchase modern testing and analytical equipment while working capital borrowings remained nil as on March 31, 2025. The company's total outside liabilities (TOL) to net worth stood at a comfortable 0.24x.

The company has healthy cash flow, reducing its need for external borrowing led to comfortable debt coverage indicators, with an interest coverage ratio of 65.35x and a total debt-to-gross cash accrual ratio (TD/GCA) of 0.08x in FY25. While the company may avail equipment loans for facilities in Hyderabad, its capital structure is projected to stay comfortable through FY26–FY27, even with a slight dip in debt indicators.

Key weaknesses

Upgradation of facilities requires regular capex

Vimta has traditionally focused on pharmaceutical research and food testing. In recent years, the company has expanded its scope by entering the clinical trial division, this is in addition to electrical and electronics testing services offered by the company.

To maintain accuracy in its research and testing services, Vimta regularly upgrades or replaces its equipment. This is driven by factors such as equipment obsolescence and advancements in technology. Additionally, the company continues to invest in new equipment to support advanced studies that require higher precision. The large volume of studies involving smaller molecules also necessitates a greater number of instruments. As a result, regular capital expenditure is required to maintain operational standards, even though revenue levels have remained relatively stable.

Between FY21 and FY25, the company's gross asset base increased from ₹217 crore to ₹410 crore, marking an 89% rise. The major capex during this period is in form of lab area which was increased by 200,000 sq. ft. during FY25. Such capex is done around once in a decade. Capex in the plant and machinery was around ₹147 crore in this period. The P&M are acquired just-in-time (JIT) based on the requirements of contracts in hand. Majority of capex is done from internal accruals with less reliance on external borrowings depicting prudent financial planning.

Moderate scale of operations

Vimta registered a compounded annual growth rate (CAGR) of 13.11% from FY21-FY25, yet it operated on a moderate scale with a TOI of ₹345 crore in FY25 compared to ₹318.44 crore in FY24.

Exposure to high regulatory risk

The Clinical Research Organization (CRO) industry faces significant reputation risks, particularly related to the safety of subjects and the reliability of testing outcomes. To address these concerns, the Ministry of Health and Family Welfare (Government of India) has implemented stringent regulations, including mandatory registration of ethics committees and systematic monitoring of clinical trials. Comprehensive compensation guidelines have been established to ensure fair treatment trial-related injuries or fatalities. Any adverse health impact on participants not only threatens the CRO's credibility but can also trigger investigations and regulatory action, especially if procedural lapses are uncovered. In this regulatory landscape, Vimta has articulated its commitment to subject safety and the accuracy of testing outcomes. The company emphasises that its practices are designed to minimise reputation risk and uphold the highest standards in clinical research.

Increasing competition in Indian CRO industry

India's domestic CRO landscape is vibrant and increasingly competitive, driven by cost advantages, a skilled workforce, and growing demand for outsourced research. In 2025, the Indian CRO market is expected to continue its upward trajectory, driven by increased outsourcing from global pharmaceutical and biotech companies seeking cost-effective and high-quality research solutions. The market is projected to reach a revenue of ~USD 2.5 billion, with a robust CAGR of 9.9% through 2030. India's CROs are recognised for their high-quality research capabilities, regulatory compliance, and cost-effective operations, making them competitive with global peers. However, they face challenges such as intense pricing pressure, regulatory complexity, and competition from captive CROs owned by large pharmaceutical firms. To stay ahead, domestic CROs are expanding their capabilities, and exploring international markets to diversify risk.

Liquidity: Adequate

The company's liquidity indicators marked by current ratio and quick ratio remained healthy at 2.90x and 2.51x, respectively, as on March 31, 2025. Vimta's liquidity remains adequate marked by expected healthy GCA of ~₹103.89 crore against a negligible repayment of ~₹3.22 crore in FY25. The company has free liquidity of ~₹24.3 crore in the form of bank fixed deposit. The company's operating cycle stood satisfactory at 128 days in FY25.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Service Sector Companies](#)

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[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

Founded in 1984 and based in Hyderabad, Vimta is contract research and testing organisation (CRO) with a large laboratory space of ~600,000 sq. ft., equipped with modern machinery and infrastructure. Its testing and analytical services cover a wide range of sectors including pharmaceuticals, agrochemicals, food and agriculture products, medical devices, personal care items, electrical and electronics, and environmental studies. Vimta operates across 13 locations in India, including labs and testing centres. The company regularly upgrades its equipment to stay competitive and capture new opportunities in the research and testing space. With a workforce of ~1,300 employees, including scientific and technical experts, Vimta's strong expertise and commitment to quality have been key to its success.

Consolidated:

Particular	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	278.28	319.28	318.44
PBILDT	81.60	97.51	87.91
PAT	41.33	48.17	41.01
Overall gearing (times)	0.09	0.06	0.06
Interest coverage (times)	54.47	36.87	41.43

A: Audited Note: these are latest available financial results

CareEdge Ratings has considered consolidated financials of Vimta for its analytical purpose till March 31, 2024; however, the company published a standalone annual report for FY24-25, which includes the financial of its wholly owned subsidiary (now amalgamated with Vimta).

Standalone:

Particular	March 31, 2025 (A)	Q1FY26 (UA)
Total operating income	344.79	99.30
PBILDT	124.17	35.4
PAT	66.76	18.90
Overall gearing (times)	0.02	N.A.
Interest coverage (times)	65.35	118

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

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		-	-	31/03/2028	37.67	CARE A; Stable
LT/ST Fund-based/ Non-fund-based-CC/ WCDL/ OD/ LC/ BG		-	-	-	34.00	CARE A; Stable / CARE A1
Non-fund-based - ST-Loan Equivalent Risk		-	-	-	1.78	CARE A1

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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	37.67	CARE A; Stable	-	1)CARE A; Stable (29-Jul-24)	1)CARE A; Stable (22-Jan-24) 2)CARE A; Stable (11-Jul-23)	-
2	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	34.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (29-Jul-24)	1)CARE A; Stable / CARE A1 (22-Jan-24) 2)CARE A; Stable / CARE A1 (11-Jul-23)	-
3	Non-fund-based - ST-Loan Equivalent Risk	ST	1.78	CARE A1	-	1)CARE A1 (29-Jul-24)	1)CARE A1 (22-Jan-24) 2)CARE A1 (11-Jul-23)	-

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	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
3	Non-fund-based - ST-Loan Equivalent Risk	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CareEdge 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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