Sector: Healthcare Services | **RESULT REVIEW Q4&FY25** | **Declared On: 28 April 2025**

Vimta Labs Limited

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs1039	23.1	Accumulate	Rs1250	20%

as on 29th April, 2025

About the Company:

Vimta Labs Limited (Vimta), headquartered in Hyderabad was established in 1984. It is India's most comprehensive, contract research and testing organization, providing wide range of services to pharmaceuticals, biopharmaceuticals, food, consumer products, agrochemical, healthcare, medical device and many other industries. The business landscape includes analytical, clinical, preclinical services to life sciences industries; quality and safety testing for food and beverage industries; and environment services to a wide spectrum of industries. The company has been supporting many national and overseas companies for more than three decades, for their third party testing, research and outsourcing needs. With a highly diverse, multi-disciplinary team of 1000+ employees, including scientific and technical professionals, the company's expertise and high standards of quality systems have enabled it to partner with global market leaders, as well as small, medium and virtual companies, across industries. Ms. Harita Vasireddi is the Managing Director.

Results: Quick Glance:

- The total revenue for the quarter grew by 29.8% to Rs944mn as compared to Rs727mn in the same quarter last year
- The Ebitda margin for the quarter stood at 35.0% as against 35.6% in the corresponding quarter of last year
- The company reported a net profit of Rs183mn as against Rs140mn in the comparative quarter
- The EPS for the quarter under review stood at Rs8.22 as compared to Rs5.58 in the corresponding period of last year
- For the full year, the revenues and PAT grew by 19.2% and 36.8% respectively while the Ebitda margins stood at 35.5%
- The Board has recommended a dividend of Rs2 per share with FV of Rs2 each for FY25
- The Board has recommended bonus issue of 1 equity share of Rs2 each for every 1 fully paid-up equity share as on the record date

Conference Call Highlights:

- In terms of Indian market opportunities, the pharmaceutical & biopharmaceutical market is expected to grow at a CAGR of ~13.4% by 2030, preclinical: CAGR of ~7.5% by 2030, food testing: CAGR of ~9.3% by 2027, environment testing: CAGR of ~9.9% by 2026 and electronics testing: CAGR of ~8.6% by 2028
- On the segmental performance, the Management has indicated Pharma to be the major contributor (~70%) to the revenues followed by foods segment (20% contribution to revenues). The Management has indicated that despite the market uncertainties, the full year performance was decent for the company. On the industry front, the global testing and inspections has observed a steady growth while the pharma medical devices continued to contribute in a significant manner. The new addition to the Life Science facility has been already commercialised; ~70% is already capitalized and the remaining to be completed in the current quarter
- For **CRO industry,** there were certain industry headwinds/challenges in terms of pricing pressure; despite all this, Vimta has performed well and continues to on-board new clients going forward. It witnesses a good traction in RFPs for clinical trials (the company had already undertaken its 1st trial last year which is successfully completed)
- **Foods segment:** The company relocated the Pune food testing lab to Nashik with a view to be closer to the agri produce regions. The segment reported flat growth, however; the company is now observing momentum in this business (after few headwinds that the company faced in H1FY25 which seems to have normalised as on date)
- **Environment division:** this division has reported decent growth for the full year
- Under the **electronic and electricals (E&E) segment**, the entire scope of services meant for E&E has been accredited by NABL and certified by TEC (Telecommunication Engineering Centre). The second chamber is currently under the installation stage and the Management anticipates the qualifications to be completed by end of Q1FY26
- **Inspections:** The company underwent successful regulatory audits from various regulatory authorities such as USFDA (Clinical GLP); European Medicines Agency (cGMP-human health and animal health); Turkey (cGMP); Kazakhastan (GCP), NGCMA (OECD-GLP) and CDSCO (GCP, Medical Devices)
- With regard to **Emtac**, the same has been merged with Vimta and the amalgamation scheme was sanctioned by the NCLT, Hyderabad bench
- **Exports** contributed ~36% which was majorly for the pharma services; ~60% of this is from the US markets
- The Board has approved the **increase of borrowing** powers upto Rs3bn subject to shareholders' approval
- In relation to the BTA entered with Thyrocare; Vimta will receive a brand royalty fee of 5% of the revenue from this business over a period of at least 2 years from the date of actual transfer of business

Conference Call Highlights (contd.):

- During Q4FY25, the Board has approved the company's **foray into biologics CDMO** for an estimated investment of Rs500mn. This new segment will enable Vimta venture into biologics and peptides wherein it will offer turnkey solutions for product development, formulation processes and standalone services such as bio-similarity assessment and qualification methodology. The capabilities will include end-to-end development from clone and process development to drug product development and bio-similarity assessment. The Management anticipates revenue generation from this new segment to be reflected in Q1FY27 while a development lab for the same is underway with requisite manpower addition expected by Q3FY26
- **Financials:** (i) the total debt as of FY25 stood at Rs85mn, (ii) cash and cash equivalents including bank balance stood at Rs329mn as of FY25, (iii) total capex spend/outgo as of FY25 stood at Rs791mn. For FY26E, the Management has guided a capex of Rs900mn (3 dimensional investment: laboratory space, equipments and manpower) which excludes the investment to the tune of ~Rs400-500mn indicated for CDMO (~Rs250mn will be expensed out in the 1st year while the balance in 2nd year), most of the capex would be through internal accruals with a small portion if needed through debt, (iv) other expenses were higher during Q4 primarily due to higher expenses related to travel cost and facility related expenses (Life Science), (v) employee costs increased by ~27% on a y-o-y basis attributed to year end gratuity and ESOPs related charges

Financials:

Performance (Q4&FY25)

Q4&FY25 Result (Rs mn)	Mar-25	Mar-24	y-o-y	Dec-24	q-o-q	FY25	FY24	y-o-y	FY26E
Total Revenue	944	727	29.8%	899	5.0%	3440	2886	19.2%	3956
EBITDA	330	259	27.5%	331	(0.1%)	1219	940	29.7%	1394
Other Income	16	4	-	12	33.9%	42	37	14.3%	41
Interest	4	5	(16.6%)	6	(25.0%)	19	21	(9.6%)	22
Depreciation	92	78	17.6%	98	(6.1%)	353	331	6.5%	370
Tax	67	40	68.7%	64	4.8%	222	137	62.5%	302
Net Profit	**183**	**140**	**31.2%**	**175**	**4.6%**	**668**	**488**	**36.8%**	**741**

Outlook and Recommendations:

FY25 was closed on a decent note for Vimta managing the macro headwinds across the different segments of business. For Q4FY25, revenues grew by 29.8% on a y-o-y basis and profit growth of 31.2% on a y-o-y basis. Growth was majorly led by the pharmaceutical services which witnessed increased traction in clinical and analytical services, supported by capacity expansion and deeper client engagements. The margins showed improvement in FY25 at 35.5% compared to 32.6% last year, led by the improving operational efficiency as well as the drag of the diagnostic business on the margins cleared after the hive off. These margins are expected to sustain with a range of +/-2% for FY26E. In terms of the growth outlook across the different segments; the Management has reiterated that the demand across the Pharma segment continues to be healthy; and the food business which witnessed headwinds in H1 has normalized and is now getting better as of the current quarter. Thereby, the demand from the key segments remains to be positive for Vimta. On the clinical trials which is a relatively new venture for Vimta, one trial was successfully completed in FY25 and the company is in the process of onboarding more trials in FY26E. The new segment addition of CDMO (initial investment of Rs500mn) would be a growth story with the evolving needs of the biopharmaceutical sector; Vimta already having peptide and biosimilar related comprehensive capabilities. The electronic and testing segment is well on growth trajectory with the addition of the second chamber to double capacity for the segment. Environmental segment grew well in FY25 and remains positive. The revenue target of Rs5bn by FY26E was chalked based on robust growth contribution factored from the diagnostic business; which is now hived off as it didn't work as per expectations; there has been change in vision to achieve exit run-rate of Rs1,250mn per quarter from Q4FY26 onwards. On the revenue growth for FY26E, the Management expects a similar growth rate to be maintained as of FY25. The company has completed one round of capex of ~Rs750mn which was for infrastructure (new building construction) and FY26E would have additional Rs900mn routed towards equipment addition. This is indicated to be met through internal accruals and if needed a debt addition. Overall, the Management continues to be optimistic about the strategic direction coupled with robustness of service offerings which can drive sustainable growth going forward. We maintain an accumulate on the stock for a revised target of Rs1250.

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