Sushil Finance
ACTIONABLE KNOWLEDGE

Vimta
Driven by Quality. Inspired by Science.

RE-INSTATING COVERAGE

Vimta Labs Ltd.(VLL)

Market Cap.	52 Week H/L	CMP	Target Price
Rs. 2,642 Cr	Rs. 903/373	Rs. 592	Rs. 743

PHRM

STOCK DATA

BUY

Reuters Code	VIML.BO
Bloomberg Code	VL IN
BSE Code	524394
NSE Symbol	VIMTALABS
Face Value	Rs.2
Shares Outstanding	4.4 Crs.
Avg. Daily Vol. (6m)	1,929,061

Price Performance (%)

1M	3M	6M
(7)	(23)	19

200 Days EMA Rs. 586

SHARE HOLDING (%)

Promoters	35.99
FII	4.33
FI/MF	1.36
Body Corporate	30.24
Public & Others	28.08

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Moving up the value chain

Vimta Labs Ltd (VLL) management articulates a clear vision to evolve from a traditional testing lab into a comprehensive Contract Research and Testing Organization (CRTO) with end-to-end capabilities. The long-term strategy revolves around expanding service offerings, deepening technical expertise, and extending market reach. The company is positioning itself to capture more high-value research work (hence the entry into biologics and clinical trial management) while consolidating its leadership in routine testing

Robust fundamentals & superior financial position make a good base for growth, going forward

Apart from leading market share, VLL also enjoys superior profitability; it is net debt free with a gross debt-equity ratio of 0.02x; Furthermore, VLL has witnessed strong cash generation over the years resulting into strong balance sheet. Lower debt-equity & healthy profits have resulted in comfortable interest coverage and robust return ratios. We expect rerating to happen, as the company expands into the biologics and clinical testing space, albeit gradually. The underlying industries have positive growth momentum, pharma outsourcing is a innovation driven space, where VLL is gaining market share, while food testing is a burgeoning compliance-driven market with consolidation opportunities for leaders

OUTLOOK & VALUATION

With capacity expansion to be completed in FY26, we expect the company's topline to grow at a CAGR of ~17.7% to Rs. 471 cr in FY24-27E. EBITDA margin is likely to remain at healthy level, 35%, on exit of low margin diagnostic business. Hence, with an expected PAT margin of 19% in FY27E, we expect the PAT and EPS to be at Rs. 90 Cr and Rs. 20.1 respectively. **We have assigned a P/E multiple of 38x to arrive at a price target of Rs. 743 which provides an upside of ~26% within 18 to 24 months from the current market price of Rs.592.**

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	EBITDA Margin (%)	A-PAT (Rs. Cr)	ROE (%)	EPS (Rs.)	P/E (x)	P/S (x)
FY24	288.6	94.1	32.6	49.0	16.4	10.9	54.5	4.1
FY25	344.0	121.9	35.5	67.0	19.3	14.8	39.9	3.4
FY26 E	**399.0**	**139.7**	**35.0**	**78.0**	**19.0**	**17.2**	**34.4**	**3.0**
FY27 E	**470.8**	**166.2**	**35.3**	**90.0**	**19.1**	**20.1**	**29.5**	**2.5**

COMPANY OVERVIEW

Vimta Labs Ltd (VLL) is a market leader in contract research and testing services for food, environment, electronic, electrical, pharmaceutical, biopharmaceutical and agrochemical products testing in India. Till 2005, the company was offering mechanical and building material testing, it invested heavily in high growth industry like pharma, electrical and electronic testing (EMTAC) and food testing. EMTAC, bought in March 2020, is the only NABL accredited lab in India that certifies physical security products, IT products, telecom as per European standards. The pharma segment contributes roughly 65–70% of revenue, while FEE testing (including Food, environmental and electrical testing) contributes ~30%, with 90% repeat customers.

VLL has been supporting many national and overseas companies for more than 3 decades, for their third-party testing, research and outsourcing needs. Along with the growth in pharmaceuticals, food and other manufacturing sectors, the company has been able to grow and expand its services to international markets like USA, Europe and other countries

Vimta has delivered 19% revenue growth in FY2024-25 (₹348.2 Cr) and maintains high profitability (35% EBITDA margin , ~19% PAT margin). Notably, margins are consistent across businesses – pharma, food, and others each operate at 30%+ EBITDA margins – reflecting disciplined cost management and operating leverage. The company is virtually debt-free with ₹54.5 Cr cash (Q2 FY26) and a 0.02x debt-to-equity , enabling it to self-fund growth.

VIMTA Life Sciences Facility, Hyderabad, India 2,00,000 Sq. Ft. Ultra Modern Lab Space in 11.2 Acres

BUSINESS OVERVIEW

VLL provides a range of services to its clients in 2 major industries, namely:

1. Pharma services

2. Food, Electrical and Environmental testing

1. Pharma Services (CRO) Segment

Services & Offerings: Vimta's pharma segment is essentially a contract research organization (CRO) and testing services provider for pharma, biotech and life science companies. It offers a wide menu of services including:

Analytical testing under cGMP: quality control and release testing for drug substances and products, stability studies, method validation, etc.
Pre-clinical research (GLP): toxicology studies and bio-analytical, support for drug discovery (small and large molecules) .
Clinical research (GCP): conducting bio-equivalence and bioavailability (BA/BE) studies on healthy volunteers, as well as **clinical trials on patients** across hospitals (Phase II/III trials support). Vimta has been doing BA/BE for over 20 years, and in the last 3–4 years expanded into patient-based clinical trials by partnering with hospital sites .

Others: specialized services for **biologics and biosimilars** (soon to launch a dedicated biologics R&D lab), **agro-chemical studies, medical device testing (biocompatibility)**, and scientific support in regulatory submissions

This breadth makes Vimta a one-stop solution for pharma R&D and quality compliance needs. Notably, Vimta is foraying into biologics CDMO/CRO services – a new Contract Research & Development (CRDMO) unit is under setup to cater to biologics and peptide drug development, with 50+ Cr investment and go-live by FY27.

BUSINESS OVERVIEW

2. Food, Electrical and Environmental testing (FEE)

Services & Offerings: Vimta's FEE segment encompasses food and beverage testing, environmental analysis, and allied testing services (including consumer goods and electrical/ electronics testing). The food testing division provides comprehensive analysis of food products, ingredients, agri-produce, water and beverages for quality, safety and regulatory compliance. This includes testing for contaminants (pesticides, heavy metals, toxins, pathogens), nutritional labeling, adulteration, etc. Key clients are food manufacturers, processors, FMCG companies, exporters, retailers, and government regulators. Large portion of F&E testing revenue is annuity, e.g- annual testing contracts. We note that even during industry down cycles, demand for compliance testing generally holds up or increases (due to stricter enforcement after incidents).

Vimta operates the National Food Laboratory at JNPT (Mumbai) in a public-private partnership with FSSAI – handling testing of import/export food samples and others on behalf of the government. This PPP contract provides steady volume (and also showcases Vimta's credibility). Operating the National Food Lab (NFL) for FSSAI is a prestigious partnership that not only provides business (NFL samples) but also signals top credibility to private clients.

Environmental testing services include analysis of air, water, soil, effluents, and industrial materials for pollutants and compliance with environmental standards. Clients span industries (pharma, chemicals, manufacturing) as well as government bodies monitoring pollution. However, the company anticipates steady performance on environmental testing going forward. The electrical & electronics testing (recently augmented via the merger of subsidiary Emtac) involves testing of electronic products for safety (EMI/EMC compliance, performance, device testing for defense and aerospace standards, etc.). This is a logical adjacency to environment/consumer safety testing and serves sectors like defense, automotive, telecom, and appliances.

KEY INVESTMENT RATIONALE

Moving up the value chain

VLL's integrated model (analytical + clinical + preclinical under one roof) is a selling point, especially for generic pharma clients who can do a one-stop product analysis and bioequivalence trial with VLL. Peers often specialize in one area (for example, a CRO that only does clinical trials will outsource lab analyses to a third party – VLL can capture both parts.

Apart from this, VLL has broaden the scope beyond small molecule analysis like biologics R&D support, peptide analysis, cell-based assays. VLL also expanded in clinical trial services (from BA/BE to patient trials) to capture a larger share of pharma outsourcing spend. Management notes that higher complexity projects command higher margins and VLLs capabilities in advanced analytics (e.g. large molecule bioanalysis, high-end instrumentation) allow it to bid for such work . Additionally, turnaround time and cost are key competitive factors: VLL, being India-based, offers cost advantages (often 30–50% cheaper than Western CROs) and with its expanded capacity can deliver timely results. Considering the above factors, VLL is expected to grab higher market share from its peers and at a healthy clip, as biologics CRDMO facility is expected to come onstream by Q1FY27.

On the food testing front, VLL stands out as the largest Indian-owned commercial lab network in this domain. Global players do not have VLL's geographical spread in India or the government partnerships VLL enjoys. For example, operating the PPP lab at JNPT gave VLL an inside track on import testing – a role SGS/Intertek traditionally play at ports worldwide, but in India that went to VLL via tender. On pricing, global firms often have higher cost structures; VLL can undercut them for domestic clients while delivering comparable quality. Smaller Indian labs might compete on price, but they lack the scope of accreditation and trust – larger food manufacturers prefer established players for critical tests. VLL's ability to handle high volumes with quick turnaround also differentiates it.

KEY INVESTMENT RATIONALE

Robust fundamentals & superior financial position make a good base for growth, going forward

Vimta's capital investments in recent years have been targeted at expanding capacity and capabilities in both key segments through internal accruals. In 2024-25, the company added ~200,000 sq.ft. of new lab space to its 4,00,000 sq.ft at its Genome Valley, Hyderabad campus. This expansion created a new state-of-the-art food testing lab (to serve growing demand in Andhra Pradesh) and simultaneously freed up the legacy building for pharmaceutical labs and a planned biologics R&D facility. Capex spent was around Rs.80cr in FY25 and is expected to be~Rs.100cr in FY26. Despite the heavy investment, Vimta did not resort to large debt – indicating internal accruals funded growth and implying underlying cash generation is strong. Debt/Equity is effectively at 0.02x. Interest coverage is extremely high (65x in FY25) given low interest expense. The company also has consistently generated positive operating cash-flows for the last seven consecutive years. This affords the company flexibility to raise debt if needed for future capex

	Infrastructure	People	Investment	Capabilities	Revenues
2024	600,000+ ft²	1300+	492 M	Pharma & Biopharma: Discovery & development services; Food; Environment; Electronics Testing	3,216 M
2015	400,000+ ft²	1000+	580 M	Analytical – Pharma, Biopharma & Food; Clinical Research; Preclinical; Clinical Diagnostics; Environment Testing	1,073 M
2006	200,000+ ft²	600+	992 M	Clinical Research; Environment; Analytical Testing – Food & Pharma	542 M
1992	50,000+ ft²	150+	85 M	Environment; Analytical – Food & Pharma; Toxicology; Material testing; Clinical Research	16 M
1984	500 ft²	6	200,000	Minerals & ores; Metals; Rice bran oil testing	156,000

Key Risks

- **Regulatory risk**

Given the nature of its business, regulatory risk is paramount. In pharma contract research organization (CRO), any compliance lapse or failing to maintain accreditations would impact the business operations. **Mitigation:** Vimta has a strong quality culture and track record of positive audits (no 483s, etc.). It undergoes frequent audits (175 audits in 2024 by clients/regulators) which helps catch issues early. On the testing side, loosening of regulations is an opposite risk (though unlikely) – if, say, FSSAI eased testing requirements (for industry lobbying reasons), volumes might drop. However, trend is towards more regulation, not less.

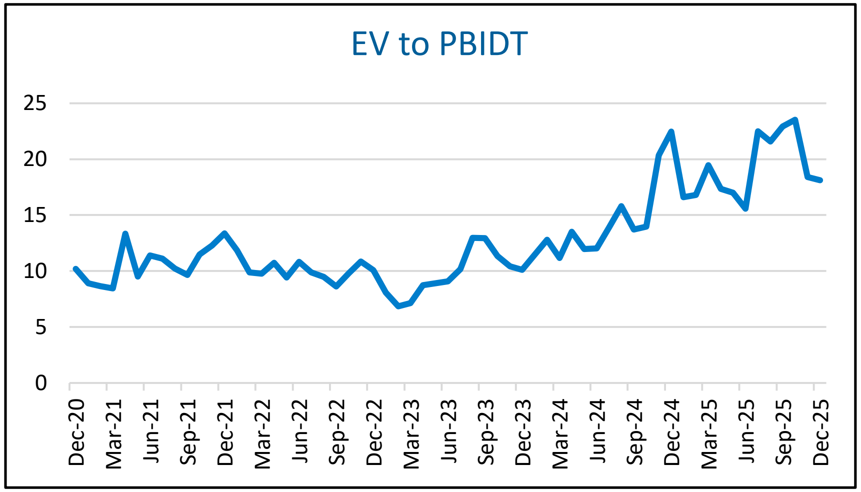
- **Talent retention risk**

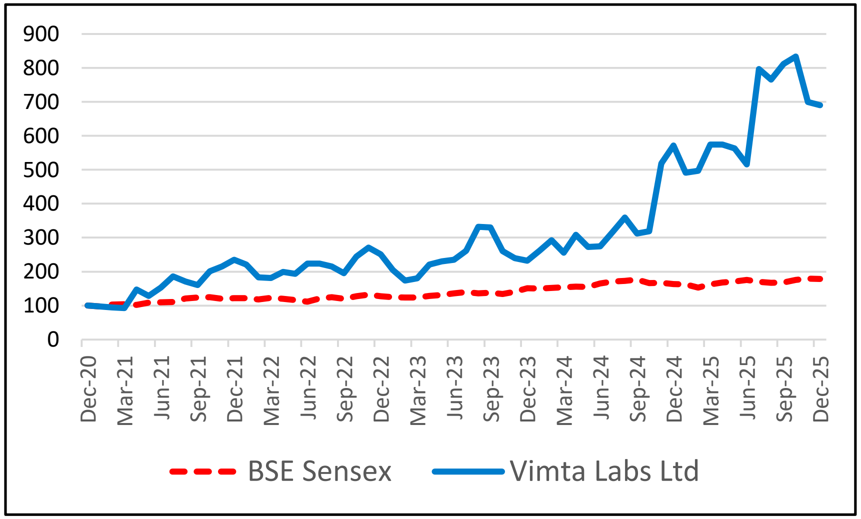
In a knowledge business, losing key scientists or trained personnel can hurt operations. There's competition for skilled analysts and study directors in CRO space. The company is cognizant of this – it likely offers ESOP to retain key employees. But the risk remains if a set of senior scientists leave for a competitor or form their own lab. **Mitigation:** Strong company culture and 40-year brand helps.

- **Macroeconomic and foreign exchange risk**

Macroeconomic and Foreign Exchange Risk: A portion of revenue (30%) is export and billed likely in USD/Euro. Any adverse currency movement (INR appreciation) could make Vimta less cost-competitive globally and/or reduce realized rupee revenue. Also, global economic downturns could tighten R&D budgets of pharma companies, potentially slowing CRO order flow. Similarly, domestic slowdowns could delay industrial testing spends. **Mitigation:** Natural hedge via imports of equipment/chemicals in forex; diversified client base reduces over-reliance on any one economy

MARKET INFORMATION





Source: Company, Sushil Finance Research

PROFIT & LOSS STATEMENT (Rs.Cr)

Y/E Mar.	FY24	FY25	FY26E	FY27E
Revenue	**288.6**	**344.0**	**399.0**	**470.8**
Cost of Materials Consumed	57.6	71.4	83.8	98.9
Employee Expenses	89.2	97.0	111.7	129.5
Other Expenses	47.7	53.6	63.8	76.3
EBITDA	**94.1**	**121.9**	**139.7**	**166.2**
EBITDA Margin	*32.6%*	*35.5%*	*35.0%*	*35.3%*
Depreciation	33.1	35.3	41.9	47.1
Finance Cost	2.1	1.9	3.0	3.0
Other Income	3.7	4.2	10.0	6.0
Profit Before Taxes	**62.6**	**89.0**	**104.8**	**122.1**
Tax Expenses	13.7	22.2	27.2	31.8
Profit After Taxes	**48.9**	**66.8**	**77.5**	**90.4**
EPS	**10.9**	**14.8**	**17.2**	**20.1**

BALANCE SHEET STATEMENT (Rs.Cr)

As on 31st Mar.	FY24	FY25	FY26E	FY27E
PP&E (including WIP)	215	262	301	289
Other non-current	17	13	11	13
Inventories	25	25	28	33
Trade Receivables	87	106	125	147
Cash Balance	25	32	26	77
Other Current Assets	25	28	37	45
Total Assets	**395**	**466**	**528**	**602**
Equity Share Capital*	4	4	9	9
Reserves & Surplus	310	374	429	501
Borrowings (LT & ST)	19	9	12	13
Trade Payables	8	10	16	14
Other liabilities	53	69	62	65
Total Liabilities	**395**	**466**	**528**	**602**

Source: Company, Sushil Finance Research Estimates
***VLL issued a bonus of 1:1 on June 2025**

CASH FLOW STATEMENT

(Rs.Cr)

Y/E Mar.	FY24	FY25	FY26E	FY27E
PBT	63	89	105	122
Depreciation	33	35	42	47
Interest Expense	2	2	3	3
Changes in Inventories	(2.1)	(0.4)	(2.9)	(5.0)
Changes in Trade Receivables	(7.0)	(19.2)	(18.5)	(22.4)
Changes in Other Current Assets	1.2	(3.5)	(6.5)	(5.0)
Changes in Trade Payables	(6.2)	2.3	5.3	(1.8)
Changes in Other Current Liabilities	(1.5)	13.0	(8.3)	2.0
Income Taxes Paid	(13.7)	(22.2)	(27.2)	(31.8)
Cash Flow From Operations	**82.3**	**118.4**	**118.8**	**139.9**
Changes in borrowing	4.2	(10.7)	3.9	0.9
Other Adjustments*	(28.2)	(12.8)	(28.1)	(35.8)
Cash Flow From Financing	**(33.0)**	**(32.4)**	**(42.2)**	**(52.9)**
Capital Expenditure	(32.6)	(102.4)	(59.9)	(47.1)
Other Adjustments	(35.3)	23.6	(22.9)	9.8
Cash Flow From Investing	**(67.9)**	**(78.8)**	**(82.7)**	**(37.3)**
Changes in Cash	39.8	25.8	32.9	26.8
Opening Cash Flow	(18.6)	7.2	(6.1)	49.8
Closing Cash Flow	**21.2**	**33.0**	**26.8**	**76.6**

Source: Company, Sushil Finance Research

FINANCIAL RATIO STATEMENT

Y/E Mar.	FY24	FY25	FY26E	FY27E
Growth (%)				
Revenue	(9.3%)	19.2%	16.0%	18.0%
EBITDA	(0.8%)	29.5%	14.5%	19.0%
Net Profit	1.5%	36.5%	16.1%	16.6%
Profitability (%)				
EBIDTA Margin (%)	32.6%	35.5%	35.0%	35.3%
Net Profit Margin (%)	16.9%	19.4%	19.4%	19.2%
ROCE (%)	18.9%	23.4%	22.6%	23.8%
ROE (%)	16.4%	19.3%	19.0%	19.1%
Per Share Data (Rs.)				
EPS (Rs.)	10.9	14.8	17.2	20.1
BVPS (Rs.)	69.8	84.1	97.3	113.4
Valuation				
PER (x)	54.5	39.9	34.4	29.5
P/BV (x)	8.5	7.0	6.1	5.2
EV/EBITDA (x)	12.7	9.8	8.6	7.2
P/ Sales (x)	4.1	3.4	3.0	2.5
Turnover				
Inventory Days	157	128	122	122
Debtor Days	110	113	114	114
Creditors Days	52	54	69	69
Gearing Ratio				
D/E	0.06	0.02	0.02	0.02

Rating Scale : This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)	BUY : Over 12%	HOLD : -12% to 12%	SELL : Below -12%

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Analyst Stock Ownership	Yes
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	Yes
Sushil Financial Services Pvt. Ltd and Group Directors Holding	No
Broking Relationship with the company covered	No