

Press Release

Gnosis Pharmaceuticals Private Limited

February 08, 2023



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.68	ACUITE B+ Reaffirmed & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	5.68	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long term rating to '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.5.68 Cr. bank facilities of GNOSIS PHARMACEUTICALS PRIVATE LIMITED (GPPL).

The rating has been withdrawn on Acuite's policy of withdrawal of ratings. The rating has been withdrawn on account of the request recieved from the company, and the NOC received from the banker.

Rationale for the reaffirmation

The rating reaffirmation takes into account of the improvement in the operating income of the company,

The rating also draws comfort from experienced promoter and the company's long track record in the industry. These strengths are however, offset by the working capital intensive nature of operations along with its below average financial risk profile.

About the Company

Himachal Pradesh-based, Gnosis Pharmaceuticals Private Limited was incorporated in 2005, by Mr. Ramesh Khurana. The company manufactures pharmaceutical formulations and undertakes contract manufacturing for pharmaceutical companies such as Glowderma Lab Private Limited, Micro Labs Limited, and Curosis Healthcare Private Limited. The company's manufacturing facility is spread out on 1.60-acre land at Kala Amb in Sirmour district (Himachal Pradesh).

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of GPPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

GPPL benefits from its experienced management. GPPL was incorporated in 2005 and its current Directors, Mr. Ramesh Khurana, Mr. Rajesh Kumar Khurana & Mr. Mool Chandra Sonkar who joined in 2021; have combined experience of around two decades in the pharmaceutical industry. The company primarily owns and operates one plant situated in Sirmour, Himachal Pradesh, India. Acuité believes that the experience of the promoters will continue to support the company's growth plans going forward.

Weaknesses

Below average financial risk profile

Gnosis Pharma's below average financial risk profile is marked by relatively low net worth base, moderate debt protection metrics and constrained by high gearing. The tangible net worth increased to 4.77 Cr. as on 31st March 2022 as compared to Rs.4.67 Cr as on 31st March 2021. The gearing of the company stood high at 2.92 times as on 31st March 2022 as compared to 2.73 times as on 31st March 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 8.54 times as on 31st March 2022 as against 6.77 times as on 31st March 2021. The debt protection metrics of the company is marked by Interest Coverage Ratio (ICR) at 2.98 times as on 31st March 2022 as compared to 3.17 times as on 31st March 2021, - the Debt Service Coverage Ratio stood - at 1.37 times as on 31st March 2022 as compared to 2.97 times as on 31st March 2021. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.09 times as on 31st March 2022. Acuité believes that financial risk profile is expected to remain below average side over the medium term on account of the working capital intensive nature of operations and stretched liquidity.

Working capital intensive nature of operations

The working capital-intensive nature of operations of the company is marked by high Gross Current Asset days (GCA) of 210 as on 31st March 2022 as compared to 181 days of 31st March 2021. The debtor days however stood at 95 as on 31st March 2022 as compared to 100 days as on 31st March 2021. The inventory period stood relatively higher at 96 days as on 31st March 2022 as compared to 69 days 31st March 2021 respectively. Acuité believes that the working capital management of GPPL will remain intensive given the nature of the industry.

Rating Sensitivities

None

Material covenants

None

Liquidity Position

Stretched

The company's liquidity position is stretched marked by net cash accruals of Rs.1.23 Cr as on 31st March 2022 as against Rs. 1.03 Cr. long-term debt repayment during the same period. The working capital-intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 210 days as on 31st March 2022 as compared to 181 days as on 31st March 2021, due to high other current asset. However, the current ratio stood comfortable at 1.27 times as on 31st March 2022, as compared to 1.45 times as on 31st March 2021. The cash and bank balances stood at Rs. 1.56 Cr. 31st March 2022. Acuité believes that going forward the liquidity position of the company will remain stretched due to the low net cash accruals.

Outlook:

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	60.96	47.39
PAT	Rs. Cr.	0.09	0.35
PAT Margin	(%)	0.15	0.73
Total Debt/Tangible Net Worth	Times	2.92	2.73
PBDIT/Interest	Times	2.98	3.17

Status of non-cooperation with previous CRA (if applicable)

Gnosis Pharmaceuticals Private Limited did not co-operate with CRISIL Limited (Crisil), which resulted in suspensions of ratings on the bank facilities through a release dated December 23, 2016. The reason provided by Crisil is non-co operation by GPPL with crisil's effort to obtain adequate information to assess GPPL's ability to service its debt.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Dec 2021	Term Loan	Long Term	5.68	ACUITE B+ (Downgraded and Issuer not co-operating*)
29 Sep 2020	Term Loan	Long Term	5.68	ACUITE BB- (Downgraded and Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.68	ACUITÉ B+ Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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