

## Press Release

### Genlink Pharma Solutions Private Limited

February 21, 2019

### Rating Reaffirmed



<b>Total Instruments Rated*</b>	Rs. 25.00 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the secured redeemable non- convertible debentures of Genlink Pharma Solutions Private Limited (GPPL). The outlook is '**Stable**'.

Mumbai based, GPPL was incorporated in 2016 by Mr. Anand Shah and Mr. Susheel Koul. It is an associate company of Enaltec Labs Private Limited (ELPL) and has attained 31.34 percent shareholding in ELPL by raising funds through issue of Non-convertible debentures.

### Analytical Approach

Acuite has considered the combined business and financial risk profiles (full consolidation) of Genlink Pharma Solutions Private Limited (GPPL) and Enaltec Labs Private Limited (ELPL), hereinafter referred to as 'Enaltec Group' (EG) to arrive at the rating. The consolidated approach factors in dependence of GPPL on the cash flows generated by ELPL for redemption of Non-convertible debenture.

### Key Rating Drivers

#### Strengths

- **Established track record of operations and experienced management**

GPPL was incorporated in 2016 and ELPL was incorporated in 2006. Thus, the group has operational track record of over a decade in the pharmaceutical industry. The Directors, Mr. Anand Shah and Mr. Susheel Koul have an experience of over two decades in the aforementioned industry. The long track record of operations and experience of management has helped the group develop healthy relationships with its customers and suppliers. Acuite believes that the group will sustain its existing business profile on the back of established track record of operations and experienced management.

- **Moderate business risk profile**

GPPL has started consultancy services related to pharma and has invested Rs. 25.00 crore in ELPL which was funded through proceeds of NCDs. ELPL, a manufacturer of Active Pharmaceutical Ingredients (API) and has extensive geographical reach with a diversified revenue mix. It generates revenue from API manufacturing and formulation developments and supplies to more than 20 countries. The Enaltec Group (EG) has registered an operating income of Rs.140.77 crore in FY2018, a marginal decline from Rs.165.38 crore in FY2017. Operating profitability has declined over the years from 8.41 percent in FY2016 to 4.82 percent in FY2018. The decline in revenues and profitability is mainly due to temporary shutdown of plants in FY2018 due to maintenance work of the plant.

- **Moderate financial risk profile**

The financial risk profile of the EG is moderate marked by adequate net worth of Rs. 72.56 crore as on 31 March 2018 as against Rs. 71.00 crore as on 31 March 2017. The gearing (debt-equity) stood comfortable at 1.05 times as on 31 March 2018 as against 0.77 times as on 31 March 2017. Total debt of Rs. 76.39 crore as on 31 March 2018 mainly comprises of Rs. 48.99 crore of long term debt, Rs. 24.88 crore of short term debt and Rs. 2.52 crore of unsecured loans. The debt protection metrics have deteriorated in FY2018 with interest coverage ratio (ICR) at 1.87 times (PY: 3.27 times) and Debt service coverage ratio of 2.27 times (PY: 2.61 times). Debt to EBITDA stood high at 8.71 times for FY2018 as against 4.69 times for FY2017. Acuite believes that the financial risk profile of the group is expected to remain moderate backed by moderate net cash accruals and in absence of any major debt funded capex in near to medium term.

## Weaknesses

### • Working capital intensive operations

The working capital operations of the group are intensive marked by Gross Current Assets (GCA) of 310 days for FY2018 as against 281 days in the previous year. This is mainly due to increase in inventory to 122 days for FY2018 as against 79 days for FY2017. Debtors stood at 109 days for FY2018 as against 100 days for FY2017.

### • NCD redemption risk associated with valuation of Enaltec Labs Private Limited

The tenure of zero coupon NCD issued by GPPL of Rs.25.00 crore is 4.5 years. The cash flow at the redemption date will depend upon the liquidity and the valuation of ELPL.

## Liquidity position

The group has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs. 6.84 crore for FY2018 while its maturing debt obligations were Rs. 4.99 crore for the same period. The cash accruals of the group are estimated to remain in the range of around Rs. 9.00 crore to Rs. 10.00 crore during 2019-21 while its repayment obligation are estimated to be around Rs. 5.00 crore to Rs. 7.00 crore. The group's working capital operations are intensive marked by gross current asset (GCA) days of 310 days for FY2018. The group maintains unencumbered cash and bank balances of Rs. 0.77 crore as on 31 March 2018. The current ratio stands healthy at 1.22 times as on 31 March 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

## Outlook: Stable

Acuite believes that the outlook of the EG will remain 'Stable' and the company will benefit over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the group registers healthy cash flows and exhibits a strong liquidity position. The outlook may be revised to 'Negative' in case of challenges faced by the group in maintaining its liquidity position.

## About the Rated Entity - Key Financials-Consolidated

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	140.77	165.38	172.44
EBITDA	Rs. Cr.	6.79	11.15	14.51
PAT	Rs. Cr.	3.41	5.02	6.78
EBITDA Margin	(%)	4.82	6.74	8.41
PAT Margin	(%)	2.42	3.04	3.93
ROCE	(%)	3.75	8.05	23.45
Total Debt/Tangible Net Worth	Times	1.05	0.77	0.46
PBDIT/Interest	Times	1.87	3.27	5.93
Total Debt/PBDIT	Times	8.71	4.69	1.81
Gross Current Assets (Days)	Days	310	281	191

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

Not Applicable

## Any other information

Acuite could not obtain banker's feedback for Enaltec Labs Private Limited. Despite repeated reminders, the management has denied sharing the banker details for ELPL vide email dated February 11, 2019.

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
09-Mar-2018	Non-convertible Debentures (NCD)	Long Term	25.00	ACUITE BB- / Stable (Reaffirmed)
02-Mar-2017	Proposed Non-convertible Debentures (NCD)	Long Term	25.00	ACUITE BB- / Stable (Assigned)

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Non-convertible Debentures (NCD)	27 March 2017	Not Applicable	27 Sept 2021	25.00	ACUITE BB- /Stable (Reaffirmed)

**Contacts**

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Priyal Jain Analyst - Rating Operations Tel: 022-49294065 <a href="mailto:priyal.jain@acuiterratings.in">priyal.jain@acuiterratings.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

**About Acuité Ratings & Research:**

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