

Press Release

Genlink Pharma Solutions Private Limited

September 07, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non-Convertible Debentures (NCD)	25.00	ACUITE D Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating '**ACUITE D**' (read as ACUITE D) on the Rs.25.00 crore Non-convertible Debentures of Genlink Pharma Solutions Private Limited (GPSPL)

Rationale for Reaffirmation

The rating on GPSPL takes into account the negative cash Accruals, Poor debt protection matrix and NCD status (Default as per NSDL)

About Company

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

ELPL, incorporated in 2006 by Mr. Anand Shah and Mr. Susheel Koul (Directors), is research driven Active Pharmaceutical Ingredients (API) manufacturer & supplier set up with the specific objective of providing generic formulators across the world. ELPL has its own manufacturing facilities in Ambarnath and Indore. The funds infused by Genlink Pharma Solutions Private Limited are used to acquire majority shareholding stake of 31.34 percent in Enaltec Labs Private Limited by Mr. Anand Shah and Mr. Susheel Koul.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has considered the consolidated business and financial risk profiles of GPSPL 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 GPSPL on the cash flows generated by ELPL for redemption of the NCD

Key Rating Drivers

Strengths

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 relationship with its customers and suppliers. Acuité believes that the group will sustain its existing business profile on the back of established track record of operations and experienced management.

Weaknesses

Financial Risk Profile

Group has poor financial risk profile marked by moderate net worth and poor debt protection metrics. Group's net worth stood at Rs. 46.28 Cr as on 31st March 2022(Prov.) which includes Compulsory Convertible Preference shares of Rs. 55 Crores as quasi equity which was issued during FY 22. Gearing levels (debt-to-equity) though improved still remains at higher level and stood at 2.21 times as on March 31, 2022 as against 17.02 in FY 2021. Further, the interest coverage ratio declined and remained weak at 0.37 times for FY2022 as against 0.85 times in FY2021 and Debt service coverage ratio moderated and stood at 0.07 times in FY2022 in comparison to 0.50 times in FY2021. Total outside liabilities to total net worth (TOL/TNW) stood at 3.75 times as on FY2022 vis-à-vis 30.15 times as on FY2021.

However, Debt-EBITA stood at alarmingly high level of 30.80 times in FY 22 vis-a-vis 10.70 in FY 21

Intensive working capital operations

Group has intensive working capital requirements as evident from gross current assets (GCA) of 370 days in FY2022 as compared to 336 days in FY2021. Debtor days further moderated to 84 days in FY2022 as against 55 days in FY2021. Inventory days further improved to 107 days in FY 22 in comparison to 141 days in FY 21. Further, the current ratio of company stood at 0.90 times as on March 31, 2022.

Delays in debt servicing obligations

GPSP has been facing a severe liquidity crunch in the recent past, since it has not been able to generate adequate cash flows to meet the NCD repayment on the maturity date. The said cash flow mismatches are driven by the company's sole dependence on ELPL whose operating performance has been deteriorating, led by time & cost overruns in the completion of its capital expenditure plans in the recent past, thereby leading to delay in transition to in-house manufacturing from third-party manufacturing. The default is still being reflected in the public domain as per the NSDL status.

ESG Factors Relevant for Rating

Not applicable

Rating Sensitivities

- Regularization of debt servicing track record
- Improvement in the liquidity & profitability position
- Improvement in the overall operational performance

Material Covenants

None

Liquidity Position

Poor

Group has poor liquidity marked by negative net cash accruals to its maturing debt obligations. Group was unable to generate cash accruals and due to heavy losses resulted net cash accruals (5.67) crore for FY2022 (Prov.) as against Rs. 38.20 crore of repayment obligations for the same period. Current Ratio stood at 0.90 times as on 31 March 2022(Prov.)

as against 0.66 times in the previous year. Therefore, Company has poor liquidity to meets its requirements.

Outlook

Not Applicable

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	128.47	115.87
PAT	Rs. Cr.	(15.52)	(11.68)
PAT Margin	(%)	(12.08)	(10.08)
Total Debt/Tangible Net Worth	Times	2.21	17.02
PBDIT/Interest	Times	0.37	0.85

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

Not Applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Sep 2021	Non Convertible Debentures	Long Term	25.00	ACUITE D (Downgraded from ACUITE B- Stable)
19 Feb 2021	Non Convertible Debentures	Long Term	25.00	ACUITE B- Stable (Downgraded from ACUITE B Stable)
19 Feb 2020	Non Convertible Debentures	Long Term	25.00	ACUITE B Stable (Downgraded from ACUITE BB- Stable)
21 Feb 2019	Non Convertible Debentures	Long Term	25.00	ACUITE BB- Stable (Reaffirmed)
09 Mar 2018	Non Convertible Debentures	Long Term	25.00	ACUITE BB- Stable (Reaffirmed)
02 Mar 2017	Proposed Non Convertible Debentures	Long Term	25.00	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Non-Convertible Debentures (NCD)	27-03-2017	Not Applicable	27-09-2021	25.00	ACUITE D Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Himanshu . Senior Analyst-Rating Operations Tel: 022-49294065 himanshu.mehta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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