Press Release
Genlink Pharma Solutions Private Limited
August 23, 2023
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	-	-

Rating Rationale
Acuité has reaffirmed the long-term rating of **'ACUITE D' (read as ACUITE D)** on the Rs.25.00 Cr Non-convertible debentures of Genlink Pharma Solutions Private Limited (GPSPL).

Rationale for rating reaffirmation
The rating reaffirmation of GPSPL is on account of negative cash accruals, poor debt protection matrix and default status of NCDs as per NSDL.

About Company
GPSPL is a Mumbai based company incorporated in 2016 by Mr. Anand Shah and Mr. Susheel Koul. The company is 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 its directors Mr. Anand Shah and Mr. Susheel Koul, 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 Ambernath and Indore. The funds infused by GPSPL are used to acquire majority shareholding stake of 31.34 percent in ELPL by the directors.

About the Group
Enaltec Labs Private Limited (ELPL) is the parent company and about this company is already mentioned in the about the company section along with Genlink Pharma, hence seperately it has not been written in about the group. It can be either in about the group or in about the company but not in both.

Analytical Approach

Extent of Consolidation
• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support
Acuité has considered the consolidated business and financial risk profiles of GPSPL and 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 NCDs.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

GPSPL was incorporated in 2016 and ELPL was incorporated in 2006. Thus, the group has an operational track record of over a decade in the pharmaceutical industry. The directors, Mr. Anand Shah and Mr. Susheel Koul possess an extensive experience of over two decades in the pharmaceutical industry. The extensive experience of the management has helped the group to establish a healthy relationship with its customers and suppliers.

Acuité believes that the group will continue to benefit from its experienced management and established track record of operations.

Weaknesses

Weak financial risk profile

Financial risk profile of EG is weak marked by low networth, high gearing and poor debt protection metrics. The networth of the group stood declined at Rs.25 Cr as on 31 March, 2023 (Provisional) as against Rs.46 Cr as on 31 March, 2022 on account of accumulated losses incurred during the year. The gearing (debt-equity) stood high at 3.40 times as on 31 March, 2023 (Provisional) as against 1.63 times as on 31 March, 2022 on account of increase in the overall debt profile during the year. The total debt of Rs.86 Cr as on 31 March, 2023 (Provisional) consists of long term bank borrowings of Rs.18 Cr, unsecured loans from directors of Rs.22 Cr and short term bank borrowings of Rs.46 Cr.

Further the group had poor coverage indicators marked by negative interest coverage and DSCR during FY2023 (Provisional) as against FY2022. The Net Cash Accruals to Total debt and Debt-EBITDA ratio also stood negative during FY2023 (Provisional) as against FY2022. The Total outside liabilities to Tangible net worth stood high at 5.19 times for FY2023 (Provisional) as against 3.17 times for FY2022.

Acuité believes that ability of EG to improve its financial risk profile over the medium term will remain a key rating sensitivity factor.

Working capital intensive operations

The working capital operations of EG are intensive marked by its Gross Current Assets (GCA) of 343 days for FY2023 which stood high albeit improved as against 368 days for FY2022. The inventory cycle of the group stood improved at 88 days for FY2023 (Provisional) as against 107 days for FY2022 whereas the receivables cycle stood at 81 days for FY2023 (Provisional) as against 80 days for FY2022. Further, the creditors cycle of the group stood at 152 days in FY2023 (Provisional) as against 189 days in FY2022.

Acuité believes that the ability of EG to improve and maintain an efficient working capital cycle over the medium term will remain a key rating sensitivity factor.

Delays in debt servicing obligations

GPSPL 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

- Ability to improve overall business and financial risk profile
- Ability to improve and maintain an efficient working capital cycle
- Regularization of debt servicing track record

Material Covenants

None

Liquidity Position - Poor

EG has poor liquidity position marked by negative net cash accruals (NCA) to its maturing debt obligations. The group was unable to generate sufficient cash accruals due to heavy losses incurred during the year. The group generated cash accruals of Rs. (11.32) Cr against its debt repayment obligation of Rs.6.73 Cr during FY2023 (Provisional). The working capital operations of the group are intensive marked by its gross current asset (GCA) days of 343 days for FY2023 (Provisional). Current ratio stands at 1,09 times as on 31 March 2023 (Provisional). The group has low cash & bank balance of Rs.0.15 Cr in FY2023 (Provisional).

Outlook:

Not applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	125.72	128.47
PAT	Rs. Cr.	(21.44)	(15.22)
PAT Margin	(%)	(17.05)	(11.84)
Total Debt/Tangible Net Worth	Times	3.40	1.63
PBDIT/Interest	Times	(0.32)	0.38

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
In order to inform the investors about complexity of instruments, Acuité 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
07 Sep 2022	Non Convertible Debentures	Long Term	25.00	ACUITE D (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	INE988W07019	Non-Convertible Debentures (NCD)	27 Mar 2017	Not Applicable	27 Sep 2021	Simple	25.00	ACUITE D | Reaffirmed

Contacts

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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.