



Press Release
Genlink Pharma Solutions Private Limited
August 19, 2024
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

Acuite 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 the 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.

About the Group

Enaltec Labs Private Limited (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 Ambarnath and Indore. The funds infused by GPSPL are used to acquire majority shareholding stake of 31.34 percent in ELPL by the directors.

Unsupported Rating

Not Applicable

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 at Rs.34.56 Cr. as on 31 March, 2024 (Provisional) as against Rs.23.09 Cr. as on 31 March, 2023. The gearing (debt-equity) stood high at 3.25 times as on 31 March, 2024 (Provisional) as against 4.89 times as on 31 March, 2023. The total debt of Rs.112.31 Cr. as on 31 March, 2024 (Provisional) consists of long term bank borrowings of Rs.12.64 Cr, unsecured loans from directors of Rs.27.02 Cr, short term bank borrowings of Rs.47.24 Cr. and current portion of long term debt of Rs.30.36 Cr.

Further the group had poor coverage indicators marked by low interest coverage and DSCR during FY2024 (Provisional) as against FY2023. The Net Cash Accruals to Total debt stood negative at (0.04). The Total outside liabilities to Tangible net worth stood high at 5.70 times for FY2024 (Provisional) as against 7.74 times for FY2023.

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 303 days for FY2024 (Provisional) which stood high albeit improved as against 322 days for FY2023. The inventory cycle of the group stood improved at 83 days for FY2024 (Provisional) as against 88 days for FY2023 whereas the receivables cycle stood at 100 days for FY2024 (Provisional) as against 81 days for FY2023. Further, the creditors cycle of the group stood at 174 days in FY2024 (Provisional) as against 152 days in FY2023.

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 NCDs continue to be in default as confirmed by its debenture trustee and other publicly available information.

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

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. (4.06) Cr. against its debt repayment obligation of Rs. 32.12 Cr. during FY2024 (Provisional). The working capital operations of the group are intensive marked by its gross current asset (GCA) days of 303

days for FY2024 (Provisional). Current ratio stands at 0.80 times as on 31 March 2024 (Provisional). The group has low cash & bank balance of Rs.0.23 Cr. in FY2024 (Provisional).

Outlook:

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	149.35	127.70
PAT	Rs. Cr.	(20.31)	(23.98)
PAT Margin	(%)	(13.60)	(18.78)
Total Debt/Tangible Net Worth	Times	3.25	4.89
PBDIT/Interest	Times	0.60	(0.57)

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. Acuité'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
23 Aug 2023	Non-Convertible Debentures (NCD)	Long Term	25.00	ACUITE D (Reaffirmed)
07 Sep 2022	Non-Convertible Debentures (NCD)	Long Term	25.00	ACUITE D (Reaffirmed)
29 Sep 2021	Non-Convertible Debentures (NCD)	Long Term	25.00	ACUITE D (Downgraded from ACUITE B- Stable)
19 Feb 2021	Non-Convertible Debentures (NCD)	Long Term	25.00	ACUITE B- Stable (Downgraded from ACUITE B 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 avl. / Not appl.	27 Sep 2021	Simple	25.00	ACUITE D Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr.No.	Company Name
1	Genlink Pharma Solutions Private Limited
2	Enaltec Labs Private Limited

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Akshat Shah Associate Analyst-Rating Operations Tel: 022-49294065 akshat.shah@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.