

Press Release

Nasense Labs Private Limited

September 06, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 44.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE BB minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 44.00 crore bank facilities of NASENSE LABS PRIVATE LIMITED. The outlook is '**Stable**'.

Incorporated in 1995, Nasense Labs Private Limited (NLPL) is engaged in manufacture of fine chemicals and specialty molecules used in pharma and agro-chemical industries. The company manufactures wide range of Sodium, Lithium, Potassium, Magnesium, Pyridine and Zinc derivatives. It has manufacturing facility at Hyderabad (Telangana) with an installed capacity of 3600 tons of products per annum.

Analytical Approach

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

Key Rating Drivers

Strengths

• Experienced management and established track record of operations

The Founder, Mr. GRK Raju has experience of over 40 years in the Chemical and Bulk Drug industry. The Director of Research and Process Development, Mr. YP Rao is a renowned specialist in Process Design and Optimization with an experience of 35 years in the industry. The Managing Director, Mr. Goutam Gottumukkala has experience of 4 years in the business. The company benefits from diversified product portfolio support from group entity and established relationship with customers and suppliers. The company derives support from the listed group entity (NACL Industries Limited; formerly known as Nagarjuna Agrichem Limited) in the form of unsecured loans. The company has established relationship with reputed customers in the pharma industry such as Aurobindo Pharma Limited, CIPLA Limited, and Mylan Laboratories Limited among others. Acuite believes that NLPL continues to enjoy the benefit of its diversified product portfolio, group entity support and established relationship with customers and suppliers over the medium term.

• Moderate financial risk profile

The financial risk profile is marked by healthy net worth, low gearing levels and moderate debt protection metrics. The net worth stood at Rs.53.53 crore as on 31 March, 2018 (Provisional), increased by Rs.7.04 crore as compared to FY2017; it was mainly due to assertion to net worth at net level in FY2018 (Provisional). Gearing is healthy at 0.92 times (Provisional) as on March 31, 2018 vis-à-vis 0.94 times as on March 31, 2017. However, tangible net worth to total outside liabilities (TOL/TNW) stood moderate at 1.60 times as on March 31, 2018 (Provisional) as compared to 1.57 times as on March 31, 2017. Debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) are moderate at 2.30 times and 0.13 times respectively for FY2018 (Provisional). Acuite believes that the financial risk profile is expected to improve over the medium term supported by increasing scale of operations with moderate profitability and absence of major capex plans over the medium term.

Weaknesses

• Intense working capital operations and stretch in its liquidity

NLPL's operations are working capital intensive as evident from Gross Current Assets (GCA) days of 340 as on March 31, 2018 (Provisional) as against 291 days as on March 31, 2017. The high GCA days were mainly due to high inventory. The inventory days are high at 239 as on March 31, 2018 (Provisional) due to maintaining stock of over 200 varieties of chemicals in a bulk manner for cost savings and to serve the customers on time. The debtor days stood at 72 as on March 31, 2018 (Provisional) due to low bargaining power with reputed players in the pharma industry. Intense working capital management has led to full utilisation of working capital limits over the past six months ended July 2018. NLPL has generated cash accruals of about Rs.8.81 crore in FY2018, against which it has maturing debt obligations of Rs.2.18 crore. Acuite believes that the working capital operations of the company will remain intense as evident from moderate collection mechanism and high inventory levels in the business.

Outlook: Stable

Acuite believes that the outlook on NLPL will remain 'Stable' over the medium term on account of the experience of the promoters in the Pharma industry and long track record of operations. The outlook may be revised to 'Positive' in case the firm registers significant growth in its revenues while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' in case of any significant stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	94.59	90.61	73.54
EBITDA	Rs. Cr.	14.42	14.31	13.14
PAT	Rs. Cr.	7.04	4.04	3.74
EBITDA Margin	(%)	15.24	15.79	17.86
PAT Margin	(%)	7.44	4.46	5.09
ROCE	(%)	12.65	14.80	18.05
Total Debt/Tangible Net Worth	Times	1.58	1.75	1.58
PBDIT/Interest	Times	2.54	2.30	2.38
Total Debt/PBDIT	Times	4.34	3.96	3.42
Gross Current Assets (Days)	Days	340	291	312

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.94	ACUITE BB- / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	5.06	ACUITE BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+

Contacts

Analytical	Rating Desk
<p>Srihari Adari Head - Corporate and Infrastructure Sector Ratings Tel: 040-40042327 srihari.adari@acuite.in</p> <p>Sethu Madhav Analyst - Rating Operations Tel: 022-67141128 sethu.madhav@acuiterratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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