

Press Release

Nasense Labs Private Limited

December 23, 2021



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings Loan	18.00		ACUITE A4+ Reaffirmed
Bank Ratings Loan	17.29	ACUITE BB+ Reaffirmed & Withdrawn	
Bank Ratings Loan	34.71	ACUITE BB+ Stable Reaffirmed	
Total	52.71	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on Rs.52.71crore bank facilities of '**Nasense Labs Private Limited (NLPL)**'. The outlook is '**Stable**'.

Acuite has further withdrawn rating on Rs.17.29 crore of bank facilities. The rating withdrawal is in accordance with Acuite's policy on withdrawal of ratings.

The reaffirmation of the ratings takes into account satisfactory financial performance during FY21, moderate financial risk profile of the company and adequate liquidity. The ratings continue to factor in experienced promoters with established track record of operation. However, the above strengths are underpinned by moderation in profitability margins, elongated Gross Current Asset days leading to working capital intensive nature of operations.

About the Company

Nasense Labs Private Limited (NLPL), a Hyderabad based company was incorporated in 1996 as USP Organics Private Limited. The same was changed to current nomenclature w.e.f June 26, 2012. The company is engaged in the manufacturing of fine chemicals and specialty molecules such as Sodium, Lithium, Potassium, Magnesium, Pyridine and Zinc derivatives. The chemicals are majorly used in pharmaceuticals and agro-chemical industries. The company is promoted by Mr. G.R.K Raju, Smt. G. Uma, Shri G. Goutam, Shri G. Prasada Raju.

Analytical Approach

The team has considered standalone financial and business risk profile of Nasense Labs Private Limited to arrive at rating

Key Rating Drivers

Strengths

Established track record of operation with experienced promoters

The company has established track record of operations of around 25 years. The promoter of the company, Mr. GRK Raju has an experience of over 40 years in the chemical and bulk drug industry. Mr. YP Rao is a renowned specialist in process design and optimization with experience of 35 years in the industry. Further, the company is also promoted by NACL

Industries Limited which is engaged similar line of operations. Acuite believes that the company is expected to benefit from the extensive experience of management along with established track record of the company.

Satisfactory operating income in FY21 and H1FY22

The total operating income of the company remained at similar level at Rs.130.70 crores during FY21(Prov.) vis-à-vis Rs.136.74 crore. The company reported satisfactory revenue despite COVID induced lockdown. Further, during H1FY22, the company has already reported sales of Rs.49.85 crore.

Moderate financial risk profile

The financial risk profile of the company continues to remain at moderate level. The debt-equity ratio remained at 0.71 times as on March 31, 2021 vis-à-vis 0.65 times as on March 31, 2020. The company had further availed additional term loan during the year. The other debt coverage indicators moderated, majorly due to decline in net profit. The debt-EBITDA moderated to 4.09 times during FY21 as against 3.10 times in FY20. The interest coverage ratio also marginally moderated to 2.01 times in FY21 against 2.27 times in FY20, due to decline in operating profit in FY21. The net cash accruals to total debt remained at 0.11-0.13 times during FY20-21. The total outstanding liabilities to tangible net worth moderated to 1.31 times as on March 31, 2021 vis-à-vis 1.23 times as on March 31, 2020.

Weaknesses

Moderation in profitability level and margin

The operating profit however declined marginally from Rs.14.81 crore in FY20 to Rs. 12.71 crore in FY21. This is mainly on account of increase in employee cost from Rs. 6.34 crore in FY20 to Rs.10.92 crore in FY21(Prov.). This also resulted in moderation in operating profit margin from 10.82% in FY20 to 9.30% in FY21. In line with operating profit, the net profit also moderated to Rs.2.55 crore in FY21 vis-à-vis Rs.3.07 crore in FY20 (also due to increase in capital charge; depreciation). Consequently, net profit margin also moderated to 1.86% in FY21 from 2.31% in FY20.

Elongation in Gross Current Asset days resulting in intensive working capital requirement

The gross current asset days of the company increased and stood at 270 days in FY21 as against 244 days in FY20, led by increase in outstanding debtors as on March 31, 2021. Consequently, the debtors' days also elongated to 78 days in FY21 over 60 days in FY20. This is due to delayed realization of receivables on account of COVID-19. The debtors are usually realized between 10-90 days. The company allows credit period, ranging between 10-90 days to its customer. The inventory period remains at similar level at 188-194 days in FY20-21. The creditors period, however declined from 98 days in FY20 to 85 days in FY21. The debtors are, however realized between 90-120 days. The month-end working capital utilization remains almost at 100%.

Acuite believes that company's ability to maintain its working capital requirement is critical from rating perspective

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

- Increase in scale of operations with improvement in profitability margins
- Any delay in realization of receivables, which would impact the liquidity of the company any.

Material covenants

None

Liquidity: Adequate

The net cash accruals of the company remained at Rs.5.59 crore in FY21 against the debt repayment obligation of Rs.5.18 crore. The current ratio remained at 1.31 times in FY21. Further,

the company had outstanding cash and bank balance of Rs.0.11 crore as on March 31, 2021. However, the working capital is being utilized at 100%. The DSCR continues to remain above unity at 1.37 times in FY21. The promoters have also been infusing funds during the year in order to support business operations of the NLPL.

Outlook-stable

Acuité believes that the outlook on NLPL will remain 'Stable' over the medium term on account of its experienced promoter and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while maintaining the profitability. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or reduction in operating income of the company.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	136.74	136.93
PAT	Rs. Cr.	2.55	3.17
PAT Margin	(%)	1.86	2.31
Total Debt/Tangible Net Worth	Times	0.71	0.65
PBDIT/Interest	Times	2.01	2.27

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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
23 Sep 2020	Term Loan	Long Term	3.57	ACUITE BB+ Stable (Assigned)
	Proposed Term Loan	Long Term	3.75	ACUITE BB+ Stable (Upgraded from ACUITE BB-)
	Term Loan	Long Term	2.60	ACUITE BB+ Stable (Assigned)
	Cash Credit	Long Term	26.00	ACUITE BB+ Stable (Upgraded from ACUITE BB-)
	Term Loan	Long Term	1.87	ACUITE BB+ Stable (Upgraded from ACUITE BB-)
	Proposed Cash Credit	Long Term	8.21	ACUITE BB+ Stable (Assigned)

	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Reaffirmed)
	Proposed Working Capital Term Loan	Long Term	6.00	ACUITE BB+ Stable (Assigned)
12 Nov 2019	Letter of Credit	Short Term	10.00	ACUITE A4+ (Issuer not co-operating*)
	Term Loan	Long Term	2.94	ACUITE BB- (Issuer not co-operating*)
	Proposed Term Loan	Long Term	5.06	ACUITE BB- (Issuer not co-operating*)
	Cash Credit	Long Term	23.00	ACUITE BB- (Issuer not co-operating*)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Issuer not co-operating*)
06 Sep 2018	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Assigned)
	Term Loan	Long Term	2.94	ACUITE BB- Stable (Assigned)
	Proposed Term Loan	Long Term	5.06	ACUITE BB- Stable (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	23.00	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
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	26.00	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+ Reaffirmed
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.21	ACUITE BB+ Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.08	ACUITE BB+ Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB+ Reaffirmed & Withdrawn
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	5.42	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	0.01	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	2.56	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	0.72	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,850 credit 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.

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