

## Press Release

### Nasense Labs Private Limited

March 03, 2023

### Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	34.71	ACUITE BB+   Stable   Reaffirmed	-
Bank Loan Ratings	18.00	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	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**'.

### Rating Rationale

The rating reaffirmation takes into account the improved operating performance of NLPL in 9MFY23. Further, due to a fire incident in FY2022, the operating margins were impacted, however, robust recovery is noted in FY2023. The company generated revenue of Rs. 127.44 Cr in FY2022 as against Rs.136.74 Cr in FY2021. In 9MFY23, the operating income stood at Rs. 84.85 Cr and is expected to generate Rs. 110-120 Cr by year end. The operating profitability which declined from 9.48 percent in FY2021 to 1.79 percent in FY2022, is expected to reach back its previous levels of 9-10 percent by the end of FY2023. The financial risk profile of the company continues to remain moderate. The rating is constrained by the working capital intensive nature of operations and stretched liquidity position of the company.

### 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. The company generated revenue of Rs. 127.44 Cr in FY2022 as against Rs.136.74 Cr in FY2021. In 9MFY23, the operating income stood at Rs. 84.85 Cr and is expected to generate Rs. 110-120 Cr by year end. Due to a fire incident in FY2022 in the factory premises, the operating margins were impacted, however, robust recovery is noted in FY2023. The operating profitability which declined from 9.48 percent in FY2021 to 1.79 percent in FY2022, is expected to reach back its previous levels of 9-10 percent by the end of FY2023. Acuite believes that the company is expected to benefit from the extensive experience of management along with established track record of the company.

- **Moderate financial risk profile, albeit marginal weakening due to fire incident**

The financial risk profile of the company has remained moderate with moderate networth, low gearing and modest debt protection metrics. The net worth of the company stood at Rs.67.00 Cr as on March 31, 2022 as against Rs.73.66 Cr as on March 31, 2021. The gearing of the company stood at 0.71 times as on March 31, 2022 against 0.67 times as on March 31, 2021. Debt protection metrics weakened in FY2022 on account of losses incurred due to fire incident. The Interest coverage ratio and debt service coverage ratio stood at 0.39 times and 0.32 times for FY2022 respectively as against 1.87 times and 1.33 times for FY2021 respectively. The debt to EBITDA of the company stood at 18.75 times as on March 31, 2022 as against 3.79 times as on March 31, 2021. NCA /TD stood at (0.06) as on March 31, 2022 as against 0.11 times as on March 31, 2022. However, with the recovery in operations recorded in 9MFY23 Acuite believes that the debt protection metrics shall improve over the medium term backed by improving the margins and net cash accruals.

## **Weaknesses**

- **Working capital intensive operations**

The operations of the company is working capital intensive marked by high Gross Current Asset (GCA) days of 262 days as on March 31, 2022 as against 265 days as on March 31, 2021. Inventory days stood at 161 days as on March 31, 2022 as against 193 days as on March 31, 2021. The debtor day stood at 50 days as on March 31, 2022 as against 76 days as on March 31, 2021. the average bank limit utilization of its fund based facility ranged around 99percent and the payables period stood at 123 days as on March 31, 2022 as against 89 days as on March 31, 2021 respectively.

## **Rating Sensitivities**

- Improvement in profitability margins and financial risk profile
- Ability to reinstate previous production levels

## **Material covenants**

None

## **Liquidity Position: Stretched**

The liquidity profile of the company is stretched marked by low net cash accruals against repayment obligations. The company generated net cash accruals (NCA) of Rs (2.76) Cr ending FY2022 against its maturing debt obligations of Rs. 5.18 Cr. The company is expected to generate net cash accruals in the range of Rs.4.68 to 5.60 Cr against repayment obligations of Rs. 3.47 to 3.49 Cr over the medium term. The working capital cycle of NLPL stood intensive on account of high GCA (Gross Current Asset) days of 262 in FY2022.

Unencumbered cash and bank balances stood at 0.08 Cr as on March 31, 2022. The current ratio of the company stood at 1.18 times as on March 31, 2022. However, the working capital is being utilized at 99 percent as on November, 2022. Acuité believes that the liquidity profile are expected to improve in FY23 backed by recovery in operation in FY2023 leading to improving operating margins and net cash accruals

### 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 financial risk profile and liquidity or reduction in operating income of the company.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	127.44	136.74
PAT	Rs. Cr.	(5.78)	0.00
PAT Margin	(%)	(4.53)	1.71
Total Debt/Tangible Net Worth	Times	0.71	0.67
PBDIT/Interest	Times	0.39	1.87

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

None

### Any other information

None

### 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

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](http://www.acuite.in)

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Short Term	0.72	ACUITE BB+ (Reaffirmed)
	Proposed Cash Credit	Long Term	8.21	ACUITE BB+ (Withdrawn)
	Term Loan	Short Term	2.56	ACUITE BB+ (Reaffirmed)

23 Dec 2021	Term Loan	Long Term	5.42	ACUITE BB+   Stable (Reaffirmed)
	Proposed Term Loan	Long Term	3.08	ACUITE BB+ (Withdrawn)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Proposed Working Capital Term Loan	Long Term	6.00	ACUITE BB+ (Withdrawn)
	Cash Credit	Long Term	26.00	ACUITE BB+   Stable (Reaffirmed)
	Term Loan	Long Term	0.01	ACUITE BB+   Stable (Reaffirmed)
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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A4+   Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	26.00	ACUITE BB+   Stable   Reaffirmed
Union Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A4+   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	0.65	ACUITE BB+   Stable   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.68	ACUITE BB+   Stable   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.25	ACUITE BB+   Stable   Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.13	ACUITE BB+   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Moparthy Anuradha Devi Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:moparthy.anuradha@acuite.in">moparthy.anuradha@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### 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.

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