



Press Release
Nasense Labs Private Limited
February 05, 2024

Rating Assigned, Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.70	ACUITE BB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	15.75	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	30.68	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	2.33	Not Applicable Withdrawn	-
Bank Loan Ratings	18.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	64.43	-	-
Total Withdrawn Quantum (Rs. Cr)	4.03	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on Rs.48.68 Cr bank facilities of 'Nasense Labs Private Limited (NLPL)'. The outlook is '**Stable**'.

Acuite has Assigned its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on Rs.15.75 Cr bank facilities of 'Nasense Labs Private Limited (NLPL)'. The outlook is '**Stable**'.

Acuite has reaffirmed and withdrawn its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs. 1.70 Cr bank facilities of Nasense Labs Private Limited (NLPL). The rating has been withdrawn on Acuite's policy of withdrawal of ratings after receiving the client's withdrawal request.

Acuite has withdrawn the rating of the Rs. 2.33 Cr Bank Facilities of Nasense Labs Private Limited (NLPL). The same is withdrawn without assigning any rating as the Instrument is fully repaid and no longer an outstanding obligation of the company. The rating is being withdrawn on account of the request received from the company and the NDC received from the banker's as per Acuite's policy on withdrawal of ratings as applicable to the respective facility/instrument.

Rationale for reaffirmation :

The rating reaffirmation takes into consideration the long-standing experience of NLPL's promoters, its established track record of operations, and moderate financial risk profile. The moderate financial risk profile is marked by low gearing levels of 0.64 times as of March 31, 2023 against 0.71 times in the previous fiscal, and moderate net worth position. However, the debt protection metrics stood average with ICR and DSCR at 1.70 times and 1.20 times in FY2023 against 0.39 times and 0.32 times respectively in the previous fiscal. The operating

revenues moderated marginally in FY2023 and stood at Rs.115.51 Cr against Rs.127.44 Cr in the previous fiscal. The operating margins on the other hand improved to 9.49% in FY2023 against

1.79% in FY2022.

The rating, however, is constrained on account of working capital intensive operations, profitability being susceptible to fluctuations in raw material cost and incurrence of high R&D expenses.

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.

Unsupported Rating

Not Applicable

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**

Incorporated in 1995, NLPL has engaged in manufacturing of speciality chemicals for around 25 years. The director of the company, Mr. Goutham Gottumukkala RK Raju has an experience of over 15 years in the Chemical and Bulk Drug industry, Mr. YP Rao is a renowned specialist in Process Design and Optimization with an experience of 35 years in the aforementioned industry. The company is also promoted by a listed entity NACL Industries Limited who specializes agrochemicals and is managed by a team of professionals. The company benefits from its well-diversified product portfolio of Sodium, Lithium, Potassium, Magnesium, Pyridine and Zinc derivatives. Further, the extensive experience of the management has helped the company to establish long-term relationships with well-established players in the pharmaceutical and speciality chemical industries as its customers. Moreover, their experience has also helped in building healthy relationships with its suppliers. Acuité believes that NLPL will continue to enjoy the benefit of its diversified product portfolio and established a relationship with customers and suppliers over the medium term.

- **Stable scale of operations and robust recovery in margins**

The company generated revenue of Rs. 115.51 Cr in FY2023 as against Rs.127.44 Cr in FY2022. In 6MFY24, the operating income stood at Rs. 54.75 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 in FY2022, however, robust recovery is noted in FY2023. The operating profitability stood at 9.49 percent in FY2023 as against 1.79 percent in FY2022. Going forward, the growth in revenues is expected to boost from FY2025 on account of factory premises is fully operational (Which they lost in fire accident)and also on account of increasing demand from the pharmaceutical industry.

- **Moderate financial risk profile**

The financial risk profile of the company has remained moderate with capital structure and moderate gearing and weak debt protection metrics. The net worth of the

company stood at Rs.69.05 Cr and Rs.67 Cr as on March 31, 2023 and 2022 respectively. The gearing of the company stood at 0.64 times as on March 31, 2023 against 0.71 times as on March 31, 2022. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 1.70 times and 1.20 times as on March 31, 2023 respectively as against 0.39 times and 0.32 times as on March 31, 2022 respectively. The debt to EBITDA of the company stood at 3.95 times as on March 31, 2023 as against 18.75 times as on March 31, 2022. NCA /TD stood at 0.13 as on March 31, 2022 as against (0.06) times as on March 31, 2022. Acuité 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 249 days as on March 31, 2023 as against 262 days as on March 31, 2022. Inventory days stood at 201 days as on March 31, 2023 as against 161 days as on March 31, 2022. Subsequently, the payable period stood at 129 days as on March 31, 2023 as against 123 days as on March 31, 2022 respectively. The debtor day stood at 39 days as on March 31, 2023 as against 50 days as on March 31, 2022. However, the working capital is being utilized at 98 percent for fund-based limit and 95 percent for non-fund based.

- **Profitability susceptible to fluctuations in raw material cost and high R&D expenses**

The major raw material procure by the company is chemicals. The prices of the same are fluctuating in nature, leading to volatility in operating profit margins of the company. The company procures ~89 percent of its raw materials from the domestic market and the rest are imported from other countries. Apart from the raw material cost, the operating margin of the company is also susceptible to the expenses incurred in R&D (Research and Development) for developing new products from time to time.

Rating Sensitivities

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

Liquidity Position: Adequate

The liquidity profile of the company is adequate marked by adequate net cash accruals against repayment obligations. The company generated net cash accruals (NCA) of Rs 5.49 Cr in FY2023 against its maturing debt obligations of Rs. 3.47 Cr . The company is expected to generate net cash accruals in the range of Rs.8.04 to 9.90 Cr against repayment obligations of Rs. 3.05 to 3.12 Cr over the medium term. Unencumbered cash and bank balances stood at Rs. 0.09 Cr as on March 31, 2023. The current ratio of the company stood at 1.09 times as on March, 2023. Acuité believes that NLPL's liquidity will remain adequate over the medium term backed by repayment of its debt obligations and improving 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 deterioration in its financial risk profile and liquidity position or reduction in operating income of the company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	115.51	127.44
PAT	Rs. Cr.	2.20	(5.78)
PAT Margin	(%)	1.91	(4.53)
Total Debt/Tangible Net Worth	Times	0.64	0.71
PBDIT/Interest	Times	1.70	0.39

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

Not applicable

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, Acuite 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
03 Mar 2023	Term Loan	Long Term	3.13	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	3.25	ACUITE BB+ Stable (Reaffirmed)
	Cash Credit	Long Term	26.00	ACUITE BB+ Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	1.68	ACUITE BB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Reaffirmed)
	Proposed Long Term Loan	Long Term	0.65	ACUITE BB+ Stable (Reaffirmed)
23 Dec 2021	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)
	Term Loan	Long Term	5.42	ACUITE BB+ Stable (Reaffirmed)
	Proposed long term bank facility	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)

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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A4+ Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	26.00	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A4+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.65	Not Applicable Withdrawn
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Mar 2029	Simple	3.13	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	27 Oct 2024	Simple	1.55	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	27 Oct 2024	Simple	1.70	ACUITE BB+ Reaffirmed & Withdrawn
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	27 Jul 2023	Simple	1.68	Not Applicable Withdrawn
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Jun 2030	Simple	15.75	ACUITE BB+ Stable Assigned

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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.

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