



Press Release
NASENSE LABS PRIVATE LIMITED
May 05, 2025
Rating Reaffirmed

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|------------------|----------------------------------|-------------------------|
| Bank Loan Ratings | 46.43 | ACUITE BB+ Stable Reaffirmed | - |
| Bank Loan Ratings | 18.00 | - | ACUITE A4+ Reaffirmed |
| Total Outstanding Quantum (Rs. Cr) | 64.43 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuité 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. 64.43 Cr. bank facilities of Nasense Labs Private Limited (NLPL). The outlook is ‘**Stable**’.

Rationale for rating

The rating reaffirmation takes into consideration the recovery in the operating performance of the company in FY25 post fire disruption in FY22, marked by increasing volumes and change in business strategies. The rating also factors the stable growth in profitability margins over the years along with moderate financial risk profile. Further, the rating draws comfort from the extensive experience of the management in the chemical manufacturing industry. However, the rating is constrained by intensive working capital operations marked by higher inventory levels, susceptibility of profitability to fluctuations in the raw material costs and cyclicalities in the chemical industry.

About the Company

Incorporated in 1995, Nasense Labs Private Limited (NLPL) (formerly known as USP Organics Private Limited) is a Hyderabad based company, engaged in the manufacturing of fine chemicals and specialty molecules such as sodium, lithium, pyridine, zinc derivatives which are majorly used in pharmaceuticals and agrochemical industries. The company has its manufacturing facility located in Hyderabad with a total capacity of 3,600 tons per annum and is involved in manufacturing of chemicals like tools for organic synthesis (sodium derivatives), pyridine derivatives, pharmaceutical intermediaries having different applications like anti-allergic, anti-bacterial, anti-cancer, anti-ulcer, etc. and semiochemicals which are emerging as a replacement for pesticides in the agrochemical industry. 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

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

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rating.

Key Rating Drivers

Strengths

Established track record of operations with experienced promoters

Being in the industry for more than three decades, NLPL has established a significant track of operations in the domestic and international markets. The company exports its products to various geographical locations like China, Austria, Spain, Japan, Singapore, etc which contributed to ~15 percent to the total sales in FY25. Further, one of the shareholder of NLPL i.e. NACL Industries Limited holding 26 percent stake in the company has been majorly acquired by Coromandel International Ltd i.e a leading agrochemical company. This change shall provide better market opportunities to the company and enhance its scale of operations. Further, the director of the company, Mr. Goutham Gottumukkala RK Raju has an experience of over 15 years in the chemical and bulk drug industry, along with Mr. YP Rao, a technical advisor of the company, who is a renowned specialist in process design and optimization with more than 35 years of experience in the bulk drugs industry. Therefore, the extensive experience of the management has helped the company to establish healthy relationships with their suppliers and customers.

Acuité believes that the diversified product portfolio and long-standing experience of the management shall continue to benefit the company going forward, resulting in steady growth in the scale of operations.

Improvement in operating performance post reinstatement of the production capacity

The operating revenue of the company stood at Rs. 135.05 Cr. in FY25 (Prov.) as compared to Rs. 115.64 Cr. in FY24, owing to increase in the production volume post reinstatement of manufacturing capacity supported by diversified product portfolio and subsequent change in production model from single-batch chemical manufacturing to campaign-based model. Further, the company has also established itself as a contract development and manufacturing organisation (CDMO), which is generating better profitability margins and improving its scale of operations. While the operating margins of the company stood at 11.16 percent in FY25 (Prov.) as compared to 10.49 percent in FY24, the net profitability margins of the company increased substantially to 9.17 percent in FY25 (Prov.) as compared to 2.30 percent in FY24, owing to recording of an exceptional income of Rs 9.21 Cr. pertaining to insurance claim received in FY25. Further, for the fire accident, against the total insurance claim of Rs. 44.76 Cr. the company has received Rs. 30.38 Cr. till March 2025 and balance is expected in FY26.

Moderate financial risk profile

The company's financial risk profile is moderate marked by tangible net worth of Rs. 84.17 Cr. as on March 31, 2025 (Prov.) as against Rs. 71.78 Cr. as on March 31, 2024, owing to the accretion of profits to reserves and partial receipt of insurance claim in FY25. The company reinstated their production plant in FY24 for Rs. 24.10 Cr. for which they availed term loan of ~Rs. 15.75 Cr. and remaining was funded through the internal cash accruals. Therefore, the debt levels elevated in FY24. Moreover, the improved net worth (including exceptional income) moderated the gearing (debt-equity) in FY25 (Prov) to 0.64 times to 0.78 times in FY24. Further, the debt protection metrics also improved with interest coverage ratio of 3.44 times in FY25 (Prov.) (1.85 times in FY24) and debt service coverage ratio at 2.35 times in FY25 (Prov.) (1.38 times in FY24). Going forward, the company plans to add another equipment of Rs. 7.00 Cr. in the fiscal 2026 which shall be funded through internal cash accruals.

Acuité believes that the financial risk profile is expected to improve going forward on the back of steady cash accruals and absence of any significant debt funded capex.

Weaknesses

Intensive working capital operations owing to requirement of higher inventory levels

The working capital operations of the company are intensive as reflected by high gross current assets (GCA) of 256 days as on March 31, 2025 (Prov.) (254 days as on March 31, 2024) which are mainly driven by high inventory levels which stood at 200 days in FY25 (Prov.) (214 days in FY24). This is due to company's diversified product portfolio and the fact that production involves multiple stages which needs to be followed accurately within limited resources. Further, the company provides an average credit period of 60-90 days to its customers which marked debtor days of 54 days in FY25 (Prov.) (40 days in FY24) and the average creditor days stood at 135 days in FY25 (Prov.) (150 days in FY24).

Acuité believes that any further stretch in the working capital operations shall be a key rating monitorable.

Susceptibility to volatility in raw material prices and cyclicity in the chemical industry

The company procures raw materials domestically (~85 percent) and from the global markets as well. The operating profitability remains partially susceptible to volatility in the prices of key raw materials, such as sodium metal, pyridine, etc. Further, the chemical industry is intensely competitive and dominated by large global players. The bulk drug and specialty chemical industry is also susceptible to regulatory changes and cyclicity in the industry. The revenue also constitutes export income which incurs foreign exchange currency risks; however, it gets naturally hedged against the imports and for the net forex exposure the company books the forward contracts. Any significant reduction in the demand and prices adversely impacting the operating margins and cash accruals of the company will remain a key monitorable.

Rating Sensitivities

- Continued improvement in operating income and profitability margins
- Any deterioration in the financial risk profile
- Any further elongation in the working capital operations causing stretch in liquidity

Liquidity Position

Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs. 17.26 Cr. in FY25 (Prov.) (including exceptional income on insurance claim) as against long term debt repayment of Rs. 3.25 Cr. over the same period. Going forward, the company is expected to generate net cash accruals in the range of Rs. 10-13 Cr. for FY26 & FY27 to repay its maturing debt obligation in the range of Rs. 2-5 Cr. for the same period. However, the working capital limits are marked by almost full utilisation for the fund-based limits of ~98.26 percent and the average non-fund-based utilisation of ~96.50 percent for the last ten months ended March 2025. The current ratio of the company stood at 1.18 times as on March 31, 2025 (Prov.). Further, the company had unencumbered cash and bank balances of Rs. 0.13 Cr. as on March 31, 2025 (Prov.).

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 25 (Provisional) | FY 24 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income | Rs. Cr. | 135.05 | 115.64 |
| PAT | Rs. Cr. | 12.39 | 2.66 |
| PAT Margin | (%) | 9.17 | 2.30 |
| Total Debt/Tangible Net Worth | Times | 0.64 | 0.78 |
| PBDIT/Interest | Times | 3.44 | 1.85 |

FY25 (Prov) PAT includes exceptional income of Rs 9.21 Cr. towards profit on insurance claim

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <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 |
|-------------|--------------------------------|------------|-----------------|-------------------------------------|
| 05 Feb 2024 | Letter of Credit | Short Term | 15.00 | ACUITE A4+ (Reaffirmed) |
| | Bank Guarantee (BLR) | Short Term | 3.00 | ACUITE A4+ (Reaffirmed) |
| | Term Loan | Long Term | 1.55 | ACUITE BB+ Stable (Reaffirmed) |
| | Cash Credit | Long Term | 26.00 | ACUITE BB+ Stable (Reaffirmed) |
| | Term Loan | Long Term | 3.13 | ACUITE BB+ Stable (Reaffirmed) |
| | Term Loan | Long Term | 15.75 | ACUITE BB+ Stable (Assigned) |
| | Term Loan | Long Term | 1.70 | ACUITE BB+ (Reaffirmed & Withdrawn) |
| | Proposed Long Term Loan | Long Term | 0.65 | ACUITE Not Applicable (Withdrawn) |
| | Term Loan | Long Term | 1.68 | ACUITE Not Applicable (Withdrawn) |
| 03 Mar 2023 | Letter of Credit | Short Term | 15.00 | ACUITE A4+ (Reaffirmed) |
| | Bank Guarantee (BLR) | Short Term | 3.00 | ACUITE A4+ (Reaffirmed) |
| | Cash Credit | Long Term | 26.00 | ACUITE BB+ Stable (Reaffirmed) |
| | Term Loan | Long Term | 1.68 | ACUITE BB+ Stable (Reaffirmed) |
| | Term Loan | Long Term | 3.25 | ACUITE BB+ Stable (Reaffirmed) |
| | Term Loan | Long Term | 3.13 | ACUITE BB+ Stable (Reaffirmed) |
| | Proposed Long Term Loan | Long Term | 0.65 | ACUITE BB+ Stable (Reaffirmed) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Complexity Level | Rating |
|---------------------|----------------------|----------------------------------|----------------------|----------------------|----------------------|-------------------|------------------|----------------------------------|
| Union Bank of India | Not avl. / Not appl. | Bank Guarantee (BLR) | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 3.00 | Simple | 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. | 26.00 | Simple | 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. | 15.00 | Simple | ACUITE A4+ Reaffirmed |
| Not Applicable | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 0.88 | Simple | 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 | 1.55 | Simple | ACUITE BB+ Stable Reaffirmed |
| Union Bank of India | Not avl. / Not appl. | Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 07 Mar 2029 | 2.52 | Simple | ACUITE BB+ Stable Reaffirmed |
| Union Bank of India | Not avl. / Not appl. | Term Loan | Not avl. / Not appl. | Not avl. / Not appl. | 28 Jun 2030 | 15.48 | Simple | ACUITE BB+ Stable Reaffirmed |

Contacts

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| Mohit Jain Senior Vice President-Rating Operations | Contact details exclusively for investors and lenders |
| Akshit Agrawal Associate Analyst-Rating Operations | Mob: +91 8591310146 Email ID: analyticalsupport@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.

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