

## Press Release

### Nubeno Healthcare Private Limited

October 31, 2022



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	37.35	ACUITE BB+   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	37.35	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) to the Rs. 37.35 Cr bank facilities of Nubeno Healthcare Private Limited (NHPL). The outlook is '**Stable**'.

### Rationale for rating assigned

The ratings assigned draws comfort from promoters' background, experienced management and diversified geographical presence of NHPL, albeit limited track record of operations. The rating also factors in the moderate financial risk profile of NHPL. However, these strengths are partially offset by its working capital intensive nature of operations and susceptibility of profitability margins owing to volatility in raw material prices. Going forward, NHPL's ability to restrict elongation of its working capital cycle and ability of the Company to improve its scale of operations while maintaining its profitability margins and capital structure will be a key rating monitorable.

### About the Company

Incorporated in 2018, Maharashtra based Nubeno Healthcare Private Limited (NHPL) is engaged in manufacturing of medical equipments and surgical items such as intravenous (IV) cannula, syringes etc. Promoted by Nagpur based 'Navbharat' Group, the Company is owned and operated by Mr. Vaibhav Nimish Maheshwari and Mr. Raghav Nimish Maheshwari along with other family members. NHPL has a manufacturing capacity to produce 2.4 lacs products per day.

### Analytical Approach

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

### Key Rating Drivers

## Strengths

### **Resourceful promoters, experienced management and diversified geographical presence, albeit limited track record of operations**

NHPL is promoted by Nagpur based 'Navbharat' Group. The group is an established name in the newsprint business. Promoted by the Maheshwari family, the Group is headed by Mr. Nimish Maheshwari who has an overall experience of over 30 years of leading the Group in publishing, paper manufacturing & real estate development. NHPL is a first venture of the Group in the medical devices industry. NHPL is owned and operated by his two sons Mr. Vaibhav Maheshwari and Mr. Raghav Maheshwari along with other family members. The promoters are ably supported by an experienced management team with an average industry experience of more than two decades. The experience of the key management personnel and promoters has aided the Company scale up its operations in a limited period. The revenue of the Nubeno Healthcare Private Limited (NHPL) stood at Rs.43.13 crore in FY22 compared to revenue of Rs.3.34 crore in FY21 as against Rs.2.67 crore revenue in FY20. The significant improvement in revenue is primarily on account of commencement of operations at manufacturing plant February, 2021 onwards. The company has diversified geographical presence. It sells across various states of Kolkata, Orissa, Assam, Bihar, MP and others in the domestic market and exports to Bhutan, Ghana, UAE, UK and others. The domestic sales constituted 63 percent of the total sales in FY2022 and balance 37 percent was export sales.

Acuité believes that the NHPL will continue to benefit from the experience of its promoters and management team and diversified geographical presence over the medium term.

### **Moderate financial risk profile**

NHPL has moderate financial risk profile marked by tangible net worth of Rs.19.30 crore as on 31 March, 2022 as against Rs.17.26 crore as on 31 March, 2021 and Rs.2.08 crore as on 31 March, 2020. The increase in tangible net worth is mainly on account of the quasi equity of Rs.7.13 crore, this amount is the unsecured loans which is required to be retained as unsecured loan by bank. The gearing level of the company remained moderate at 1.78 times as on 31 March, 2022 as against 1.42 times as on 31 March, 2021 and 4.52 times as on 31 March, 2020. The total debt outstanding of Rs.34.32 crore consists of working capital borrowings of Rs.1.96 crore, and term loan obligations of Rs.32.36 crore and unsecured loans of 0.31 crore as on 31 March, 2022.

The coverage ratios of the company remained moderate with Interest Coverage Ratio (ICR) of 3.14 times for FY22 against 2.45 times for FY21. Also, the Debt Service Coverage Ratio (DSCR) stood at 1.80 times for FY22 against 2.04 times for FY21. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 2.26 times as on March 31, 2022 against 1.59 times as on March 31, 2021. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.10 times for FY22 as against 0.01 times for FY21.

Acuité believes that in the absence of any major debt funded capex, the financial risk profile of the company is likely to remain moderate over the medium term.

## Weaknesses

### **Working capital intensive nature of operations**

The operations of the company are working capital intensive nature of operations marked by high GCA days of 1143 days for FY21 and 655 days for FY20. The high GCA days in FY21 are majorly on account of high inventory levels of 480 days for FY21 compared against 74 days for FY20. Subsequently, the debtor days are also high at 244 days for FY21 against 302 days for FY20. The inventory days are high in FY21 as the company started its commercial operations in February 2021 and thus there was inventory built up at the year end to fulfil the high demand. However, the GCA days for FY22 have declined to 192 days with inventory days at 91 and debtor days at 61. The creditor days of the company stood at 56 days for FY22 as against 172 days for FY21 as against 18 days for FY20. The average utilization of the working capital limits of the company remained on the moderate side of ~75.75 percent for eighteen months

ended September, 2022.

Acuité believes NHPL's ability to restrict elongation in working capital cycle will be a key rating sensitivity.

### **Susceptibility of profitability margins to volatility in raw material prices**

The company is primarily engaged into manufacturing of IV cannula and syringes. The key input material for the products is polymer resins, which is crude oil derivative. The prices of this commodity is subject to volatility in line with those of global crude oil prices. This exposes the profitability margins of NHPL to fluctuations in raw material prices.

### **Rating Sensitivities**

- Further elongation in working capital cycle
- Improvement in scale of operations while maintaining the profitability margins.

### **Material covenants**

None

### **Liquidity Position: Adequate**

NHPL has adequate liquidity position marked by adequate net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.3.60 crore in FY22 compared against maturing debt obligations of Rs.1.07 crore. The cash accruals of the company are estimated to remain around Rs.3.65-4.95 crore during 2022-24 period while its matured debt obligations is estimated to be in the range of 2.50 – 3.50 crore during the same period. The average utilization of the working capital limits of the company remained on the moderate side of ~75.75 percent for eighteen months ended September, 2022. Furthermore, the company maintains unencumbered cash and bank balances of Rs.0.06 crore as on March 31, 2022 and the current ratio also stood at 2.01 times as on March 31, 2022.

### **Outlook: Stable**

Acuite believes that company will maintain a "Stable" outlook in the medium term and will continue to benefit from its experienced management and healthy demand of its products in the market. The outlook may be revised to "Positive", if the company demonstrates substantial and sustained growth in its revenues and/or operating margins from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to "Negative", if company's generates lower-than anticipated cash accruals thereby impacting its financial risk profile, particularly its liquidity.

### **Other Factors affecting Rating**

None

### **Key Financials**

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	43.13	3.34
PAT	Rs. Cr.	1.73	0.07
PAT Margin	(%)	4.00	1.98
Total Debt/Tangible Net Worth	Times	1.82	1.42
PBDIT/Interest	Times	3.14	2.45

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

**Rating History:**

None

**Annexure - Details of instruments rated**

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB+   Stable   Assigned
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	16.50	ACUITE BB+   Stable   Assigned
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	6.00	ACUITE BB+   Stable   Assigned
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	3.50	ACUITE BB+   Stable   Assigned
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	7.35	ACUITE BB+   Stable   Assigned

## 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>  Vaishnavi Deshpande Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:vaishnavi.deshpande@acuite.in">vaishnavi.deshpande@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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.