

April 30, 2024

## N9 World Technologies Private Limited: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term fund-based limits – Cash credit	4.00	4.00	[ICRA]BBB-(Stable); reaffirmed
Short term non-fund based facilities – Letter of credit	0.50	0.50	[ICRA]A3; reaffirmed
<b>Total</b>	<b>4.50</b>	<b>4.50</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The reaffirmation of the ratings factor in the strong parentage of N9 World Technologies Private Limited (N9WTPL), being part of Resil Chemicals Private Limited (RCPL, rated [ICRA] A-(Stable)/[ICRA]A2+), and the strong operational linkages with its parent with RCPL contributing to majority of the supplies to N9WTPL. The ratings also factor in the super-specialty nature of the chemicals that N9WTPL markets, mostly in the textile segment, catering to diversified customers.

ICRA notes the weakening operating margins of the company because of the increase in testing charges and the discounts given to the end customers. The margins are expected to remain moderate with continued testing expenses. However, in the long term, the overheads are not expected to increase to the same extent as the increase in the topline, resulting in improved margins. The interest coverage remains healthy, while the working capital intensity is moderate owing to the credit period on supplies.

The ratings are constrained by N9WTPL's moderate scale of operations with revenues in the range of Rs. 20-23 crore in the last two years. The ratings are also constrained by high competition in a fragmented industry, limiting the pricing flexibility, and the high testing costs which in turn restrict the margins. Further, the company primarily operates in the textile finishing agent industry, which contributes to ~75% of the revenues, leading to industry concentration risk.

The Stable outlook on the rating reflects ICRA's opinion that N9WTPL will continue to benefit from the extensive experience of its promoters in the textile finishing agents (TFA) market and its strong operational linkages with the parent.

### Key rating drivers and their description

#### Credit strengths

**Strong operational linkages with Resil Chemicals Private Limited** - N9WTPL, being a 100% subsidiary of Resil Chemicals Private Limited (RCPL), has strong operational linkages with its parent. RCPL contributes to majority of the supplies of N9WTPL and provides financial support in the form of extended credit period on supplies. RCPL has extensive experience in the textile finishing agent industry.

**Super specialty chemicals maker catering to diversified customers in textile sector** - N9WTPL markets super-specialty chemicals based on nano silver technology and the textile segment is the major contributor to the revenue (~75% of the total sales).

## Credit challenges

**Modest scale of operations** - The company's scale of operations remains modest with revenues in the range of Rs. 20-23 crore in the last two years. The modest scale of operations resulted in weak accruals and the tangible net worth remained low at Rs. 5.60 crore as on March 31, 2023.

**High competition in a fragmented industry limits pricing flexibility and restricts margins** - N9WTPL operates in a super-specialty segment with nano silver-based technology. The major revenue contributing segment, i.e., the textile finishing agent industry, is fragmented and has high competition, which limits the pricing flexibility and impacts the margins in turn. Though the company also operates in the non-textile industry, the contribution from this segment remains low.

**High industry concentration risk** - The company primarily operates in the textile finishing agent industry, which contributes to ~75% of the revenues, leading to industry concentration risk. Further, ICRA notes the inherent risks associated with the textile industry, such as volatile cotton prices and high energy costs, which add to the pressure on the company's credit profile.

## Liquidity position: Adequate

The liquidity of the company is adequate with no long-term debt repayment obligations, no capex plans and adequate buffer in working capital limits with the utilisation remaining low at ~12% for the 12 months ended November 2023.

## Rating sensitivities

**Positive factors** – The ratings could be upgraded if the company's operating income and profitability improves on a sustained basis. Further, an improvement in the credit profile of the parent company could be a positive trigger.

**Negative factors** – Pressure on N9WTPL's ratings could arise if there is any significant deterioration in its revenues and profitability metrics on a sustained basis, weakening the credit profile. Further, weakening in the parent company's credit profile or weakening of linkages with the parent could be a negative trigger.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Chemicals</a>
Parent/Group support	Parent/Group Company: Resil Chemicals Private Limited The ratings factor in the benefits of being a 100% subsidiary of Resil Chemicals Private Limited, its strong operational linkages with the parent and the potential financial support from the parent, should the need arise
Consolidation/Standalone	The ratings are based on the standalone financials of the company

## About the company

M/s. N9 World Technologies Pvt Ltd (N9WTPL) was incorporated in 2010 with the objective to trade/manufacture nano materials of metals, metal oxides and its compounds in various delivery forms and formats, such as suspension, dispersion, solgels, powders and solutions for application in textiles, cosmetics, personal care, rubber, plastic polymers and other allied industries.

N9WTPL was started as a joint venture of Resil Chemicals Pvt Ltd with a 51% equity and M/s. Proteus Partners Ltd of the United Kingdom with a 49% stake. Subsequently, in 2013-14, Resil acquired the JV partner's equity and N9WTPL became a 100% subsidiary of Resil.

### Key financial indicators (audited)

N9WTPL	FY2022	FY2023
Operating income	19.3	20.6
PAT	1.2	0.7
OPBDIT/OI	7%	4%
PAT/OI	6%	4%
Total outside liabilities/Tangible net worth (times)	1.2	1.1
Total debt/OPBDIT (times)	0.2	0.6
Interest coverage (times)	12.7	5.9

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

### Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years				
		Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
				April 30, 2024	-	Jan 30, 2023	-	
1	Cash credit	Long term	4.00	-	[ICRA]BBB-(Stable)	-	[ICRA]BBB-(Stable)	-
2	Letter of credit	Short Term	0.50	--	[ICRA]A3	-	[ICRA]A3	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term fund-based limits – Cash credit	Simple
Short term non-fund based facilities – Letter of credit	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit	NA	NA	NA	4.00	[ICRA]BBB-(Stable)
NA	Letter of credit	NA	NA	NA	0.50	[ICRA]A3

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis – Not Applicable**

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