

## Nutra Specialities Private Limited

Instruments	Amount	Rating Action
	Rs. Crores	
Term loan facilities	19.89 <sup>[1]</sup>	[ICRA]BB+(Stable) (Reaffirmed)
Long-term fund based facilities	16.00 <sup>[2]</sup>	[ICRA]BB+(Stable) (Reaffirmed)
Short-term fund based facilities	8.20 <sup>[3]</sup>	[ICRA]A4+ (Reaffirmed)
Short-term non fund based facilities	23.50 <sup>[4]</sup>	[ICRA]A4+ (Reaffirmed)

<sup>[1]</sup> enhanced from Rs. 14.43 crore; <sup>[2]</sup> enhanced from Rs. 9.00 crore <sup>[3]</sup> revised from Rs. 13.20 crore <sup>[4]</sup> enhanced from Rs. 19.40 crore

ICRA has reaffirmed the long-term rating outstanding on the Rs. 19.89 crore<sup>1</sup> (enhanced from Rs. 14.43 crore) term loan facilities and Rs. 16.00 crore (enhanced from Rs. 9.0 crore) long-term fund based facilities of Nutra Specialities Private Limited ("NSPL"/ "The Company")<sup>2</sup> at [ICRA]BB+ (pronounced ICRA double B plus). The outlook on the long term rating is stable. ICRA has also reaffirmed the short term rating outstanding on the Rs. 8.20 crore (revised from Rs. 13.20 crore) fund based facilities and Rs. 23.50 crore (enhanced from Rs. 19.40 crore) non-fund based facilities of the Company at [ICRA]A4+ (pronounced ICRA A four plus).

The reaffirmation of the ratings take into account significant improvement in the operating margins in the past fiscal on the back of better utilization of assets as well as continuous process improvement, improvement in yield and aggressive purchase policy undertaken by the company. The ratings take into account moderation in product and customer concentration over the past few years. The ratings also take in to consideration the long standing experience of promoters in the pharmaceutical industry and established relationship with key customers aiding in attaining repeat business orders. ICRA also takes cognisance of NSPL obtaining EDQM license, which would aid the company in increasing its penetration in the highly regulated European markets.

The ratings, however, are constrained by weaker than expected revenues in the past fiscal due to de-growth in some of the products owing to restraints faced; despite which the company witnessed a moderate growth in other existing products. The Company has developed a new product– Pregabalin – for which drug licenses have been obtained. ICRA notes that the proposal for contract manufacturing is in advanced stages and its successful off-take could support revenue growth in future. Furthermore, the ratings remain constrained by the working capital intensive operations owing to stretched collection periods and large inventory holding (though the Company strategically held higher level of inventory due to import pressure from China), with the consequent incremental debt requirement leading to high gearing and moderate coverage and debt protection metrics. The Company has been undertaking steps to increase penetration in the highly regulated markets and is making efforts in upgrading the quality standards and operating efficiency of its manufacturing facility for stricter compliance with the regulatory norms. The Company as a part of PCB compliance has initiated installation of new ETP, MEE and Solvent Recovery Plant, which would ease production bottlenecks and result in additional capacity for future growth. The Company has undertaken a capex of Rs.11.10 crore for the said upgradations, with a planned 70:30 debt funding, which is likely to keep the capitalisation and debt protection indicators stretched in the near term.

Going forward, the ability of the Company to increase scale of operations while sustaining its margins, and compressing its working capital cycle, would remain crucial to improving its credit profile. ICRA also takes cognisance of the potential private equity funding which will aid in part retirement of NSPL's external debt, as well as fund the Company's next phase of expansion and R&D, timely infusion of which remains a key rating sensitivity. As such, ICRA will continue to monitor the developments in this regard and evaluate the impact of the same on NSPL's credit risk profile.

### Company Profile

Nutra Specialities Private Limited is a Chennai based pharmaceutical company incorporated in 2006 and promoted by Mr. S. Abhaya Kumar and family members. The company was initially setup to manufacture nutraceutical products, but the market for its products saw significant churn in 2007-08 when the Japanese

<sup>1</sup> 100 Lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website ([www.icra.in](http://www.icra.in)) or other ICRA rating publications

manufacturers flooded the market with cheaper products. This forced the company to change its product mix from Nutraceuticals to Active Pharmaceutical Ingredients (APIs). Currently the company has 15 products in its portfolio and two products in the pipeline. The company primarily caters to the domestic and semi regulated exports markets. NSPL's manufacturing plant is located in Chandrapadiya Village near Nellore in Andhra Pradesh and has an in-house R&D for process development and product testing. The manufacturing facility is WHO-GMP compliant, ISO 9000:2008 certified and approved by the Council of Europe and KFDA (Korea Food & Drug Administration).

#### **Recent Results**

As per the audited results for the year 2015-16, NSPL has reported a profit before tax of Rs.2.53 crore on an operating income of Rs. 100.31 crore as against Rs. 2.66 crore profit before tax on an operating income of Rs. 99.70 crore for 2014-15.

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*For further details please contact:*

**Analyst Contacts:**

**Mr. K. Ravichandran**, (Tel. No. +91-44-45964301)  
ravichandran@icraindia.com

**Relationship Contacts:**

**Mr. Jayanta Chatterjee** (Tel. No. +91-80-43326401)  
jayantac@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001  
Tel: +91-11-23357940-50, Fax: +91-11-23357014

**Corporate Office****Mr. Vivek Mathur**

Mobile: +91 9871221122

Email: [vivek@icraindia.com](mailto:vivek@icraindia.com)

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002  
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

**Mumbai****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

3rd Floor, Electric Mansion  
Appasaheb Marathe Marg, Prabhadevi  
Mumbai—400025,  
Board : +91-22-61796300; Fax: +91-22-24331390

**Kolkata****Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: [jayanta@icraindia.com](mailto:jayanta@icraindia.com)

A-10 & 11, 3rd Floor, FMC Fortuna  
234/3A, A.J.C. Bose Road  
Kolkata—700020  
Tel +91-33-22876617/8839 22800008/22831411,  
Fax +91-33-22870728

**Chennai****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

5th Floor, Karumuttu Centre  
634 Anna Salai, Nandanam  
Chennai—600035  
Tel: +91-44-45964300; Fax: +91-44 24343663

**Bangalore****Bangalore****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

'The Millenia'  
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,  
Murphy Road, Bangalore 560 008  
Tel: +91-80-43326400; Fax: +91-80-43326409

**Ahmedabad****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

907 & 908 Sakar -II, Ellisbridge,  
Ahmedabad- 380006  
Tel: +91-79-26585049, 26585494, 26584924; Fax:  
+91-79-25569231

**Pune****Mr. L. Shivakumar**

Mobile: +91 9821086490

Email: [shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range  
Hills Road, Shivajinagar, Pune-411 020  
Tel: + 91-20-25561194-25560196; Fax: +91-20-  
25561231

**Hyderabad****Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: [jayantac@icraindia.com](mailto:jayantac@icraindia.com)

4th Floor, Shobhan, 6-3-927/A&B. Somajiguda, Raj  
Bhavan Road, Hyderabad—500083  
Tel:- +91-40-40676500