May 01, 2023

Natural Capsules Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long term – Fund based – Cash Credit	6.50	6.50	[ICRA]BBB (Stable); Rating outstanding
Short-term Non-fund based	1.29	1.29	[ICRA]A3+; Rating outstanding
Long-term/short-term Unallocated	4.70	4.70	[ICRA]BBB (Stable)/[ICRA]A3+; Rating outstanding
Total	**12.49**	**12.49**	

**Instrument details are provided in Annexure-I*

Rationale

Material Event

Natural Capsules Limited (NCL or company) has published a filing on BSE on April 22, 2023 related to the execution of the Shareholders' Agreement and Share Subscription Agreement for an equity investment of Rs. 75 crore in the company's subsidiary - Natural Biogenex Private Limited (NBPL) from Mumbai based private equity fund firm, Somerset Indus Healthcare. Somerset Indus Healthcare is a healthcare focused private equity firm making private equity and equity-related investments primarily in growth-oriented healthcare companies in India.

Impact of Material Event

NCL is setting up a greenfield facility for manufacturing Active Pharmaceutical Ingredients (API) under its subsidiary, NBPL. The investment from Somerset Indus Healthcare, which will come in the form of Compulsorily Convertible Preference Shares, will be utilised to fund the project capex of the API facility. As per management, the transaction and related documentation is under process and that there may be a change in project scope. ICRA will continue to monitor the developments in relation to the project scope and implementation as well as the details of the said transaction.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, liquidity position, rating sensitivities, key financial indicators: Click here

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the financials of Natural Capsules Limited, along with that of its subsidiaries, Natural Biogenex Private Limited and Natural Phyto Pharma Private Limited.

About the company

NCL, headquartered in Bangalore, primarily manufactures EHGC and Empty Hard Cellulose Capsule (EHCC) shells. The company has a manufacturing unit in Bangalore and the another in Pondicherry, with an aggregate production capacity of 16.7 billion capsule shells per annum and caters to both domestic and international markets. NCL's product mix comprises various capsule shells such as hard gelatin capsule shells, hard cellulose capsule shells, BSE/TSE free gelatin capsule shells, shiny gelatin capsule shells, SLS free gelatin capsule shells, halal certified gelatin capsule shells, fortified gelatin capsule shells, sweet gelatin capsule shells and fast release gelatin capsule shells. The company is in the process of enhancing its capsules capacity up to 24.1 billion capsule shells per annum.

NCL set up a subsidiary, Natural Biogenex Private Limited, in August 2020 for manufacturing APIs, such as Betamethasone, Dexamethasone and Prednisolone, along with their intermediates and derivates.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years				
		Type	Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020	
					May 01, 2023	Jul 04, 2022	Apr 09, 2021	-	Feb 18, 2020	May 31, 2019
1	Fund-based – Cash Credit	Long-term	6.50	-	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	[ICRA]BBB &	[ICRA]BBB (Stable)
2	Non-fund based – Working capital facilities	Short-term	1.29	-	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+	-	[ICRA]A3+&	[ICRA]A3+
3	Unallocated Limits	Long-term / Short-term	4.70	-	[ICRA]BBB (Stable)/[ICRA]A3+	[ICRA]BBB (Stable)/[ICRA]A3+	[ICRA]BBB (Stable)/[ICRA] A3+	-	[ICRA]BBB &/ [ICRA]A3+&	[ICRA]BBB (Stable)/ [ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund based – Cash Credit	Simple
Short term – non-Fund based	Very Simple
Long term / Short Term – Unallocated Limits	NA

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	Fund-based Limits	NA	NA	NA	6.50	[ICRA]BBB (Stable)
NA	Non-fund Based Limits	NA	NA	NA	1.29	[ICRA]A3+
NA	Unallocated	NA	NA	NA	4.70	[ICRA]BBB (Stable)/[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

Company Name	Ownership	Consolidation Approach
Natural Biogenex Private Limited	100.00%	Full Consolidation
Natural Phyto Pharma Private Limited	100.00%	Full Consolidation

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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