

January 30, 2023

N9 World Technologies Private Limited: [ICRA]BBB-(Stable)/[ICRA]A3 assigned

Summary of rating action

| Instrument* | Current Rated Amount (Rs. crore) | Rating Action |
|---|-------------------------------------|-----------------------------|
| Long-term fund-based limits – Cash credit | 4.00 | [ICRA]BBB-(Stable) assigned |
| Short-term – Non fund-based facilities – Letter of credit | 0.50 | [ICRA]A3 assigned |
| Total | 4.50 | |

*Instrument details are provided in Annexure-I

Rationale

The assigned 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 80% of the supplies to N9WTPL. The ratings also factor in the super-specialty nature of the chemicals that N9WTPL markets, majorly in textile segment, catering to diversified customers.

The operating margins remained healthy with comfortable interest coverage and moderate working capital intensity, owing to the credit period on supplies. The ratings, however, 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 pricing flexibility and in turn restricting the margins. Further, the company primarily operates in the textile finishing agent industry, which contributes to ~83% 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 ~80% of the supplies of N9WTPL and providing financial support in the form of extended credit period on supplies. RCPL has extensive experience in the textile finishing agent industry.

Super specialty chemicals majorly in textile segment catering to diversified customers – N9WTPL markets super-specialty chemicals based on nano silver technology and major revenues are from the textile segment (~83% of the total sales). The company caters to diversified customers and the customer concentration remains moderate with the top 10 clients contributing to ~37% of the revenues in FY2022.

Credit challenges

Modest scale of operations – The 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 modest accruals and the tangible net worth remained low at Rs. 4.86 crore as on March 31, 2022.

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 ~83% of the revenues, leading to industry concentration risk. Further, ICRA notes the inherent risks associated with the textile industry, namely volatile cotton prices and high energy costs, adding pressure to the credit profile of the company.

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 ~18% in the 12 months ended August 2022.

Rating sensitivities

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

Negative factors – Pressure on IEL’s ratings could arise if there is any significant deterioration in its credit metrics on a sustained basis. 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 | Corporate Credit Rating Methodology Rating Methodology for Entities in the Chemical Industry Rating Approach – Implicit support from parent or group |
| Parent/Group support | Parent/Group Company: Resil Chemicals Private Limited The rating factors in the benefit arising from being a 100% subsidiary of Resil Chemicals Private Limited and 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

N9WTPL was incorporated in 2010 by Resil Chemicals Pvt Ltd (51% stake) and foreign joint venture partner Proteus Partners Ltd, United Kingdom (49% stake). Subsequently, in 2013-14, Resil has acquired the equity of the JV and thus N9WTPL became a 100% subsidiary of Resil. N9WTPL manufactures super-specialty products based on nano silver and its compounds in various delivery forms such as suspensions, dispersions, solgels, powders and solutions for various end-uses and applications in diverse industries such as textiles, cosmetics, personal care, rubber, plastics polymers and other allied industries.

Key financial indicators (audited)

| N9WTPL | FY2021 | FY2022 |
|--|--------|--------|
| Operating income | 23.2 | 19.3 |
| PAT | 3.1 | 1.2 |
| OPBDIT/OI | 13.3% | 7.3% |
| PAT/OI | 13.6% | 6.3% |
| Total outside liabilities/Tangible net worth (times) | 1.79 | 1.22 |
| Total debt/OPBDIT (times) | - | 0.2 |
| Interest coverage (times) | 40.5 | 12.7 |

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Type | Amount rated (Rs. crore) | Current rating (FY2023) | | Chronology of rating history for the past 3 years | | | | |
|------------|------------------|--------------------------|--------------------------------|-------------------------|---|-------------------------|-------------------------|--------------|---|
| | | | Amount outstanding (Rs. crore) | Date & rating in FY2023 | Date & rating in FY2022 | Date & rating in FY2021 | Date & rating in FY2020 | | |
| | | | | | | | | Jan 30, 2023 | - |
| 1 | Cash credit | Long term | 4.00 | - | [ICRA]BBB-(Stable) | - | - | - | - |
| 2 | Letter of credit | Short Term | 0.50 | - | [ICRA]A3 | - | - | - | - |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|------------------|----------------------|
| Cash credit | Simple |
| 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

ANALYST CONTACTS

Sabyasachi Majumdar
+91 124 4545 304
sabyasachi@icraindia.com

Prashant Vasisht
+91 124 4545 322
prashant.vasisht@icraindia.com

B Kushal Kumar
+91 40 4547 4829
kushal.kumar@icraindia.com

Arvind Srinivasan
+91 44 4267 4316
arvind.srinivasan@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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