

## NS Mint Products Private Limited

September 02, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	56.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BBB-; Stable; (Triple B Minus; Outlook: Stable)
Short Term Bank Facilities	4.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE A3; (A Three)
<b>Total Bank Facilities</b>	<b>60.00</b> <b>(₹ Sixty</b> <b>Crepe Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

CARE had, vide its press release dated March 03, 2022, placed the ratings of NS Mint Products Private Limited (NSMPPL) under the 'issuer non-cooperating' category as NSMPPL had failed to provide the 'no default statement' for three consecutive months. NSMPPL continues to be non-cooperative despite repeated requests for submission of information to monitor the ratings through phone calls, and emails dated August 24, 2022, August 23, 2022, and August 17, 2022, etc. In line with the extant SEBI guidelines, CARE has reviewed the rating based on the best available information which, however, in CARE's opinion is not sufficient to arrive at a fair rating.

The revision in the rating is pursuant to Securities and Exchange Board of India (SEBI)'s circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings'. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status.

### Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings have been revised on account of non-availability of requisite information due to non-cooperation by NSMPPL. CARE views information availability risk as a key factor in its assessment of credit risk

### Detailed description of the key rating drivers

At the time of last rating on March 03, 2022, the following were the rating weaknesses and strengths:

#### Key Rating Weaknesses

##### Foreign exchange fluctuation risk and volatility in raw material prices

NSMPPL garnered ~80-90% of the total revenue from the export market and is therefore exposed to foreign currency fluctuation risk. Although, around 100% of the export receivables are completely hedged in form of forward contracts by the company. Crude Mentha Oil (CMO) which is the major raw material for NSMPPL, is an actively traded commodity. Its price is, therefore, influenced by the trading activity as well as the vagaries of nature making the price vulnerable to fluctuations. Adverse movement in CMO prices can affect the NSMPPL's margin adversely which remains historically low. However, to mitigate the same, the company actively enters into futures contracts traded on MCX and also negotiates raw material prices with farmers and traders to reduce the risk of volatility in prices.

##### Susceptibility to intense industry competition & threat of substitution from synthetic menthol

NSMPPL operates in the menthol industry, which is not largely capital or technology-intensive, resulting in low entry barriers. Consequently, the industry is highly fragmented which results in the intense industry competition. Further, there is limited differentiation in products of different players, because of which buyers have high bargaining power and limits the pricing power of the manufacturers resulting in low profitability. The Company also faces competition with synthetic mint manufacturers wherein the cost of synthetic menthol is lower and as it is available with large organized players, synthetic menthol has found acceptance among the erstwhile users of natural menthol. While synthetic menthol capacities are expected to increase going forward, rising demand for menthol products is expected to absorb part of the rising capacity, softening the impact on natural menthol demand. Synthetic menthol could become a possible substitute for natural menthol as the same is not dependent on the vagaries of nature. However, the natural version is preferred for the food and beverage industry which is the major user of menthol products.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

## Key Rating Strengths

### Experienced Promoters with established track record in the menthol industry

NSMPPL was incorporated in 2013 by Mr. Ashutosh Rastogi, who has experience of more than 20 years in the trading and manufacturing of mint products and essential oils. Mr. Rastogi is engaged in manufacturing and trading of menthol since 1996. Earlier, the promoters were operating through a proprietorship firm - Gemini Man which was engaged in manufacturing and domestic trading of Menthol. However, it was later merged with NSMPPL in 2013. Currently, Mr. Rastogi is the Managing Director of NSMPPL and looks after the overall operations of the company.

### Strategic plant location

NSMPPL's manufacturing facility is located in Sambhal, Uttar Pradesh, which is known for mentha-based industry due to the easy availability of the raw material in districts like Bareilly, Chandausi, Rampur etc. Proximity of manufacturing plant to major mentha oil producing region gives NSMPPL advantage in terms of regular supply of raw material and lower lead time of purchase.

### Moderate financial risk profile marked by slight improvement in profitability margins and comfortable capital structure

During FY21 the total operating income witnessed a decline of 17.50% and stood at Rs. 403.24 crore primarily due to lower realizations from the products. However, the company reported growth in volumes by 11.05% as compared to previous year. Further, the company has reported marginal improvement in profitability margins from 3.51% in FY20 to 4.23% in FY21 though the same continued to remain at lower levels. The overall gearing of the company stood comfortable and improved to 0.51x as on March 31, 2021 on account of an increase in net-worth due to accretion of profits to reserves and decrease in the working capital borrowings.

### Established relationship with its customers base resulting into repeat orders

NSMPPL is into manufacturing of menthol, menthol crystals, essential oils, aromatic chemicals, mint oils, and other mint products. These products find application in several industries including Pharmaceuticals, Food, Oral care, Flavor, Fragrances, Tobacco, Cosmetics, and Paint. The significant experience of the promoter in the menthol industry has helped NSMPPL in getting repeat orders and improving its volumes over the past few years. The Company has been able to build and sustain strong relations spread over the past years with many large national and international players. However, client concentration risk has reduced as the top 10 customers contribute ~52.64% of the total operating revenue of the company. Further, NSMPPL derives majority of its revenue from exports. In FY21 around 79.85% (PY: 79.11%) of its total operating income was derived from the exports to China.

### Liquidity analysis: Adequate

The liquidity profile of NSMPPL is adequate which is characterized by nil debt repayment obligations. The company's average fund based utilization remained at ~31.23% for the trailing 10 months ending July 2021. The free cash and cash equivalents stood at Rs. 1.40 crore as on July 31, 2021.

### Analytical approach: Standalone

### Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

### About the company

N S Mint Products Private Limited (NSMPPL) is promoted by Mr. Ashutosh Rastogi & Family and incorporated in May 2013. NSMPPL manufactures menthol, menthol crystals, essential oils, aromatic chemicals, mint oils, and along other mint products. Mentha oil and its derivatives are extensively used in food, pharmaceutical, perfumery, and flavouring industry. The company's manufacturing facility is located in Sambhal, Uttar Pradesh. NSMPPL has a manufacturing capacity of 2800 MT for producing menthol, 900 MT of De-Mentholised Peppermint Oil (DMO), 840 MT of menthol crystal, rice crystal and menthol garded and 600 MT for other mint products

Brief Financials (₹ crore)	March 31, 2020 (A)	March 31, 2021 (A)	March 31, 2022 (A)	Q1FY23
Total operating income	488.64	399.54	NA	NA
PBILDT	17.14	13.18	NA	NA
PAT	10.57	10.44	NA	NA
Overall gearing (times)	1.15	0.51	NA	NA
Interest coverage (times)	12.65	15.03	NA	NA

A: Audited; NA: Not Available; Q1FY23 refers to the period from April 01, 2022, till June 30, 2022.

**Status of non-cooperation with previous CRA:** NA

**Any other information:** NA

**Rating history for the last three years:** Please refer to Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	56.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Forward Contract		-	-	-	4.00	CARE A4+; ISSUER NOT COOPERATING*

#### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Working Capital Limits	LT	56.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (03-Mar-22) 2)CARE BBB-; Stable (07-Oct-21)	1)CARE BBB-; Stable (09-Nov-20) 2)CARE BBB-; Stable (06-Jul-20)	-
2	Non-fund-based - ST-Forward Contract	ST	4.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3; ISSUER NOT COOPERATING* (03-Mar-22) 2)CARE A3 (07-Oct-21)	1)CARE A3 (09-Nov-20) 2)CARE A3 (06-Jul-20)	-

\*Long term/Short term.

#### Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation
<b>A. Financial covenants</b>	
EPC	Rate of interest is 1-year MCLR + 0.55%
CC	Commitment charges of 0.25% are to be recovered on the entire unutilized portion on a quarterly basis.
<b>Non-financial covenants</b>	
B. EPC	Penal interest of 5% p.a. to be charged on the irregular portion for the period of irregularity.
CC	Stock statement to be submitted monthly at latest by 20 <sup>th</sup> of the following month.

**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Working Capital Limits	Simple
2	Non-fund-based - ST-Forward Contract	Simple

**Annexure-5: Bank lender details for this company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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