



Press Release
KLENZAIDS CONTAMINATION CONTROLS PRIVATE LIMITED
December 27, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.40	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	11.60	-	ACUITE A2+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	30.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating to '**ACUITE A-**' (read as **ACUITE A Minus**) and its short term rating to '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.30.00 crore bank facilities of Klenzaid's Contamination Controls Private Limited (KCCPL). The outlook is '**Stable**'.

Rationale for Rating Reaffirmation

The reaffirmation in the rating is on account of stable business risk profile marked by marginal increase in the scale of operations. The revenue recorded by the company is Rs.176.29 Cr in FY2023 as against Rs.170.88 Cr in FY2022. The company has its presence in both domestic and international market, with its major revenues being sourced from the international market for FY2023 i.e., 53% of the total revenue. Further, the growth in revenue is expected to be sustained in medium term backed by current executable order book position of Rs.108.79 crore as of December 2023. The EBITDA margin stood at 24.30 percent in FY2023 as against 26.35 percent in FY2022. Also, the financial risk profile of the company stood healthy marked by moderate net worth, low gearing and comfortable debt protection metrics due to sustenance of healthy profitability margin. However, the ratings are constrained by margins susceptible to raw material and foreign exchange fluctuation risk, intense working capital operations.

About the Company

Incorporated in 1978, Klenzaid's Contamination Controls Private Limited (KCCPL) is a Mumbai based company engaged in the manufacturing of benchmark Aseptic, Bioclean and Containment equipment, which are elemental to plants established by the pharmaceutical, biological, life science, healthcare, electrical, space and defense industries. It also Designs & Builds turnkey labs & facilities for these industries, universities and public health establishments. The company is currently managed by Mr Hamish Chandru Shahani along with other directors which include Mr. Krishnamurthy Hariharasubramanian, Mr. Shreedhar Anehosur and Mr. Jerome Andreas Freissmuth. The company is a joint venture member of Syntegon Technologies GmbH (formerly Robert Bosch Packaging Technology GmbH).

As on 30th November 2023, Syntegon Technologies GmbH (formerly Robert Bosch Packaging Technology GmbH) increased its stake in KCCPL from 49 percent to 90 percent and subsequently, Hamish Properties LLP reduced its stake to 10 percent from 49 percent.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone financial and business risk profile of KCCPL to arrive at this rating

Key Rating Drivers

Strengths

Experienced management and established track record of operation

KCCPL was established in 1978. The company is led by its Managing Director & CEO, Mr Hamish Shahani along with other directors which include Mr. Shreedhar Anehosur – Chief Operating Officer and Mr. Jerome Freissmuth, representing Syntegon and also providing technical expertise. The company's long track record of operation of more than four decades has helped in developing and maintaining healthy relations with its customers like Amneal group, Bharat Biotech, Cipla, Cadila Healthcare, Dr. Reddy's Laboratories, Glenmark, Intas Pharmaceuticals, Sun Pharma, Sanofi & Serum Institute of India Ltd to name a few. It has also maintained a long-standing relationship with its vendors and suppliers.

Acuité believes that the company will continue to benefit from the management's experience and its association with reputed clients to sustain its business risk profile in the near to medium term.

Healthy Financial Risk Profile

The financial risk profile of the company stood healthy, marked by moderate net worth, low gearing, and comfortable debt protection metrics. The tangible net worth stood at Rs.69.07 crore as on 31 March 2023 as against Rs.71.38 crore as on 31 March, 2022. The reason for the decrease is because the company had given dividends to its shareholders. The total debt of the company stood at Rs.14.71 crore includes Rs.1.76 crore of long-term debt, Rs.12.61 crore of short-term debt, and Rs.0.34 crore of CPLTD as on 31 March, 2023. The gearing (debt-equity) stood at 0.21 times as on 31 March 2023 as compared to 0.27 times as on 31 March, 2022. Interest Coverage Ratio stood at 31.30 times for FY2023 as against 46.30 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 19.00 times in FY2023 as against 32.03 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.99 times as on 31 March, 2023 as against 1.07 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 2.16 times for FY2023 as against 1.73 times for FY2022.

Acuité believes that the financial risk profile of the company is expected to remain at the same level over the medium term.

Stable operating performance

The company has recorded an operating income of Rs.176.29 crore in FY2023 as against Rs.170.88 crore in FY2022. The company has its presence in both domestic and international market, with its major revenues being sourced from the international market for FY2023 i.e., 53% of the total revenue. In the international market, the products are mainly exported to USA, China, Germany, Thailand, Lebanon, Iran, Saudi Arabia, Malaysia, Vietnam, and Turkey while in domestic market the company has presence in major metropolitans including Mumbai, Pune, Delhi, Kolkata, Chennai and Hyderabad. Further, the company has achieved Rs.84.20 crore of revenue till November 2023. Also, the company has orders worth Rs.108.79 crore to be executed as on 12th December 2023 showing revenue visibility in the medium term. Recently, the company has order of Russia worth Rs.71 Cr in pipeline, which the company is expected to start in the current financial year i.e., FY2024.

The profitability margin of the company stood healthy marked by EBIDTA margin of 24.30 percent in FY2023 as against 26.35 percent in FY2022. Moreover, the PAT margins stood at 16.59 percent in FY2023 as against 18.75 percent in FY2022.

Weaknesses

Intensive Working Capital operations

The working capital management of the company is intensive even though the GCA days has been improved to 255 days in FY2023 as against 299 days in FY2022. The debtor days stood at 167 days in FY2023 as against 164 days in FY2022. The payment cycle for debtors is: 15%-20% advance payment, 60%-70% is after delivery of the machinery and remaining 10%-15% is after 1 year. However, the creditor days stood at 88 days in FY2023 as against 135 days in FY2022. The average credit period allowed by suppliers is around 30-90 days. Also, the inventory days improved to 53 days in FY2023 as against 70 days in FY2022. The average bank

limit utilization for the fund-based limits for the past 10 months ending October 2023 is ~60 percent.

Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

Margins susceptible to raw material and foreign exchange fluctuation risk

The company's major raw material being steel, its margins are susceptible to raw material price fluctuations. However, since the purchase of steel is spread over a period of time, the average pricing does help. Further, the company's exports accounted for ~53 per cent of its revenues for FY2023. The exports are mainly to countries like USA, China, Germany, Thailand, Lebanon, Iran, Saudi Arabia, Malaysia, Vietnam, Turkey, hence having an earning mix of Dollars and Euros. Due to these transactions, the company's margins are susceptible to foreign exchange fluctuation, though it gets covered by natural hedge.

Rating Sensitivities

- Improvement in the scale of operations.
- Any elongation of the working capital cycle leading to further deterioration in financial risk profile

All Covenants

None

Liquidity Position

Adequate

The company's liquidity position is adequate marked by sufficient net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.21.49-33.12 Crore from FY 2021- 2023 against its maturing debt obligations in the range of Rs.0.09-0.36 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.33.39-35.26 crores against the maturing repayment obligations of around Rs.0.34 crore over the medium term. The working capital management of the company is intensive marked by GCA days of 255 days in FY2023 as against 299 days in FY2022. The company maintains unencumbered cash and bank balances of Rs.18.75 crore as on March 31, 2023. The current ratio stands at 1.84 times as on March 31, 2023. The average bank limit utilization for the fund-based limits for the past 10 months ending October 2023 is ~60 percent. The average BG utilization as on December 2023 is ~71%.

Acuité believes that the liquidity of KCCPL is likely to remain adequate over the medium term on account of adequate cash accruals against its maturing debt obligations.

Outlook: Stable

Acuité believes that the company will maintain a 'stable' outlook over the near to medium term owing to its experienced management and established market position. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while improving profitability margins, improvement in capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenue, profit margins or deterioration in the financial risk profile, particularly its liquidity most likely as a result of higher than envisaged working capital or capex requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	176.29	170.88
PAT	Rs. Cr.	29.25	32.04
PAT Margin	(%)	16.59	18.75
Total Debt/Tangible Net Worth	Times	0.21	0.27
PBDIT/Interest	Times	31.30	46.30

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Sep 2022	Proposed Bank Facility	Long Term	0.95	ACUITE A- Stable (Assigned)
	Working Capital Term Loan	Long Term	2.45	ACUITE A- Stable (Assigned)
	Derivative Exposure	Short Trm	0.60	ACUITE A2+ (Assigned)
	Letter of Credit	Short Trm	2.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Bank Guarantee	Short Trm	9.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Cash Credit	Long Term	15.00	ACUITE A- Stable (Upgraded from ACUITE BBB+ Stable)
30 Sep 2021	Bank Guarantee	Short Term	9.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Letter of Credit	Short Term	2.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Cash Credit	Long Term	15.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
06 Jul 2020	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	9.00	ACUITE A3+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Derivative Exposure	Not Applicable	Not Applicable	Not Applicable	Simple	0.60	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A2+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	2.20	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.20	ACUITE A- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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