

Klenzaid's Contamination Controls Private Limited ^(REVISED)

Instrument	Amount	Rating Action (March 2016)
Fund based limits – Cash Credit	Rs. 12.00 crore	[ICRA]BB- (Stable) <i>assigned</i>
Non Fund based limits – Bank Guarantee [^]	Rs. 8.00 crore	[ICRA]A4 <i>assigned</i>
Non Fund Based limits – Letter of credit [^]	Rs. 2.00 crore	[ICRA]A4 <i>assigned</i>
Unallocated Limits	Rs. 1.00 crore	[ICRA]BB- (Stable) <i>assigned</i>

Interchangeability allowed to a maximum of Rs.2 crore between LC & BG

ICRA has assigned a long term rating of [ICRA]BB- (pronounced ICRA double B minus) to the Rs. 12.00 crore cash credit facility and to the Rs.1.00 crore unallocated facility of Klenzaid's Contamination Controls Private Limited (KCCPL). The outlook on the long term rating is 'Stable'. ICRA has also assigned a short term rating of [ICRA]A4 (pronounced ICRA A four) to the Rs. 10 crore non fund based facilities of KCCPL.

The assigned ratings take into account the long standing promoters experience of Klenzaid's Contamination Controls Private Limited (KCCPL) in manufacturing machines largely used in pharmaceutical companies and the company's strong relationship with most of its reputed clients which has resulted in repeat orders. The ratings also factor in the expected operational synergies from the company's collaboration with Bosch Packaging Technology (Pharma), a fully owned company of Robert Bosch GmbH, which will help KCCPL to venture into new markets for innovative filling technology and other products. The company's satisfactory profit margins and return indicators also support the ratings.

The ratings, however, are constrained by the company's stretched liquidity position mainly driven by long overdue receivables. As on March 31, 2015, debtors of ~Rs.23 crore are overdue for more than six months, out of which ~Rs.13 crore, pertaining to HSCC Limited, are pending since 2011-12 (refers to financial year, April 1 to March 31). While the company's capital structure is comfortable due to moderate networth base, the increase in working capital requirements have been funded by stretching creditors, which has resulted in a below moderate ratio of total outside liabilities to tangible networth of 2.4 times as on March 31, 2015. Further, the ratings are also constrained by KCCPL's moderate scale of operations and modest pace of growth in its revenues mainly due to slow realization of payments from its customers. The company's revenues are also susceptible to the price variations in steel, which is one of the major raw material components; although the risk is partially offset by the company's pass on arrangements with its major customers. With presence of import and export activities, the company's revenues are also vulnerable to volatility in foreign currency exchange rate which is partially offset by presence of natural hedge in the business.

ICRA believes that KCCPL will continue to benefit over the medium term from its promoters' extensive industry experience and its newly formed collaboration with Bosch Packaging Technology (Pharma). Going forward, the company's ability to reduce its working capital requirements, particularly in the receivables cycle, which will result in improvement in liquidity, while improving the scale of operations and sustaining the profit metrics will remain the key rating sensitivities. Conversely, in case of lower-than-expected profitability, or a further stretch in the working capital cycle, resulting in deterioration in the financial risk profile, especially liquidity could have negative impact on the key credit metrics.

Company Profile:

Incorporated in the year 1978, Klenzaid's Contamination Control Private Limited was promoted by Mr. Chandru Shahani. The company is currently managed by his son, Mr. Hamish Shahani. The company is engaged in the business of manufacturing clean room equipment, pharmaceutical machinery and accessories. It also delivers regulatory-compliant turnkey 'design-build' projects for containment facilities and laboratories. The company's manufacturing facilities are at Umbergaon (South Gujarat).

Recent Results:

KCCPL has reported a net profit of Rs. 2.54 crore on an operating income of Rs. 50.12 crore for the year ending 31st March 2015 (audited) and a gross profit of Rs. 14.18 crore on an operating income of Rs.45.06 crore for 11M - FY2016 (provisional statements).

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