

October 18, 2017

Klenzaid's Contamination Controls Private Limited

Summary of rated instruments

Instrument#	Rated Amount (Rs. crore)	Rating Action*
Fund Based Limits	12.00	[ICRA]BB-(Stable) ISSUER NOT COOPERATING*; Rating moved to the 'Issuer Not Cooperating' category
Non Fund Based Limits	10.00	[ICRA]A4 ISSUER NOT COOPERATING*; Rating moved to the 'Issuer Not Cooperating' category
Unallocated Limits	1.00	[ICRA]BB-(Stable)/[ICRA]A4 ISSUER NOT COOPERATING*; Rating moved to the 'Issuer Not Cooperating' category

*Issuer did not co-operate; based on best available information

#Instrument details are provided in Annexure-1

Rating action

ICRA has moved the ratings for the Rs. 23.00-crore¹ bank lines facilities and unallocated limits of Klenzaid's Contamination Controls Private Limited (KCCPL) to the 'Issuer Not Cooperating' category. The rating is now denoted as: "[ICRA]BB-(Stable) and [ICRA]A4 ISSUER NOT COOPERATING"².

Rationale

The rating is based on no updated information on the entity's performance since the time it was last rated in March 2016. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating as the rating does not adequately reflect the credit risk profile of the entity. The entity's credit profile may have changed since the time it was last reviewed by ICRA; However, in the absence of requisite information, ICRA is unable to take a definitive rating action.

As part of its process and in accordance with its rating agreement with **Klenzaid's Contamination Controls Private Limited**, ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated requests by ICRA, the entity's management has remained non-Cooperative. In the absence of requisite information, and in line with SEBI's Circular No. *SEBI/HO/MIRSD4/CIR/2016/119*, dated November 01, 2016, ICRA's Rating Committee has taken a rating view based on the best available information.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

Key rating drivers

Credit strengths

- **Extensive experience of the promoters spanning close to three decades in manufacture of clean room equipments, aseptic devices and containment equipments and solutions** – KCCPL is led by Mr. Hamish Shahani, Managing Director and CEO since 1991, who has an extensive experience in the field of manufacture of clean room equipments, aseptic devices and containment equipments and solutions. The long track record of the promoter has helped the company develop healthy relations with suppliers and reputed customers like Cipla Limited, Cadila Healthcare Limited, Dr. Reddy's Laboratories Limited, GlaxoSmithKline Pharmaceuticals Limited, Glenmark Pharmaceuticals Limited, to name a few.

Credit weaknesses

- **Moderate scale of operation** – Despite steady growth in the company's operating income in the last three fiscals, the scale of operation continues to remain moderate thereby limiting the economics of scale benefits.
- **Long overdue receivable has stretched the liquidity position** – The company's stretched liquidity position is 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). The company's debtor position as on March 31, 2016 stood at Rs.44.92 crore against Rs.38.54 crore as on March 31, 2015.
- **High creditor funding in the business has kept TOL/TNW ratio weak** – 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 (TOL) to tangible networth (TNW) of 2.62 times as on March 31, 2016.
- **Susceptible of margins to fluctuations in forex rates and variations in steel price-** The company's revenues are also susceptible to the price variations in steel, which is one of the major raw material components. 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.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

[Policy in respect of non-cooperation by the rated entity](#)

About the company:

Incorporated in the year 1978, Klenzaid's Contamination Controls 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).

Key Financial Indicators (Audited)

	FY2015	FY2016
Operating Income (Rs. crore)	50.12	66.02
PAT (Rs. crore)	2.54	4.39
OPBDIT/ OI (%)	14.01%	14.33%
RoCE (%)	22.84%	28.12%
Total Debt/ TNW (times)	0.81	0.70
Total Debt/ OPBDIT (times)	2.00	1.41
Interest coverage (times)	3.35	4.96
NWC/ OI (%)	57%	43%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years:

Table:

S. No.	Instrument	Current Rating (FY2018)			Chronology of Rating History for the last three years		
		Type	Amount Rated (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				October 2017	April 2016	-	-
1	Cash Credit	Long term	12.00	[ICRA]BB- (Stable) ISSUER NOT COOPERATING*	[ICRA]BB- (stable); assigned	-	-
2	Bank Guarantee	Short term	8.00	[ICRA]A4 ISSUER NOT COOPERATING*	[ICRA]A4; assigned	-	-
3	Letter of Credit	Short term	2.00	[ICRA]A4 ISSUER NOT COOPERATING*	[ICRA]A4; assigned	-	-
4	Unallocated Limits	Long term / Short term	1.00	[ICRA]BB- (Stable)/[ICRA]A4 ISSUER NOT COOPERATING*	[ICRA]BB- (Stable)/ [ICRA]A4; assigned	-	-

*Issuer did not co-operate; based on best available information

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Instrument Details

ISIN No	Instrument	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Cash Credit	-	-	-	12.00	[ICRA]BB-(Stable) ISSUER NOT COOPERATING*
-	Bank Guarantee	-	-	-	8.00	[ICRA]A4 ISSUER NOT COOPERATING*
	Letter of Credit				2.00	[ICRA]A4 ISSUER NOT COOPERATING*
-	Unallocated Limits	-	-	-	1.00	[ICRA]BB-(Stable)/ [ICRA]A4 ISSUER NOT COOPERATING*

* Issuer did not co-operate; based on best available information.
Source: KCCPL

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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.

For more information, visit www.icra.in

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