



Press Release

Zircon Technologies (India) Limited

October 28, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities- Term Loan	25.50	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Assigned
2.	Long Term Fund Based Facilities	20.00	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Assigned
	Total	45.50		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of **Zircon Technologies (India) Limited** draws comfort from its experienced promoters and top Management, Reputed Clients, diversified product portfolio with Strong credit metrics. However, these rating strengths are partially offset by its moderate scale of operations. The company has good medium-term revenue visibility.

Key Rating Sensitivities:

Upward Factor:

- Continuous improvement in the operating margin combined with adequate cash accruals leading to high reinvestment in the company
- Diverse product portfolio combined with high geographical diversity, thus reducing concentration risk in case of natural disasters

Downward factor:

- Debt-funded capex plans leading to weakening of the capital structure
- Working capital cycle is stretching more year on year, thus requiring more working capital requirements and weakening the financial risk profile

List of Key Rating Drivers with Detailed Description

Key Rating Strengths



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Extensive experience of the promoters and qualified Management:

The business is professionally managed by Mr. Tilak Raj Sondhi and Mr. Sanjeev Sondhi who have a lot of experience in the labelling industry. They have other independent directors who are very well qualified like Mr. Pramod Aggarwal who has completed his PGDM from IIM Ahmedabad, he is also a non-executive director on the Board of Procter and Gamble Hygiene and Healthcare Limited.

Strong credit profile:

ZTIL's financial risk profile is marked by healthy debt protection metrics, moderate gearing and net worth. The total debt of Rs. 47.58 crore as on March, 2020 consists of long-term loans of Rs. 27.95 crore and Rs. 19.63 crore of working capital borrowings. The total outside liabilities to tangible net worth (TOL/TNW) ratio improved significantly to 2.05 times as on 31 March, 2020 (from 4.64 times as on 31 March, 2018), largely on account of retention of profits. The company has net worth of Rs. 39.84 Cr as at 31 March, 2020. ZTIL shows healthy profitability with a PAT margin of 6.08% and EBITDA margin of 12.37% which are higher than the industry average. The debt metrics have improved over the last 3 years with the company being able to generate enough surplus to repay the obligations.

Diversified Product portfolio and high brand equity:

The company's business risk profile is strong with revenue across diversified end user industry. Over the period ZTIL has increased its product portfolio by leveraging its in-house research and development process. ZTIL currently catering to varied industries including food and beverage, homecare, personal care, wine and liquor, pharmaceutical, agro-chemicals, automobile industries as well as for industrial products etc. Having presence in diversified industry safeguards ZTIL from downturn in a particular industry.

Reputed Clientele:

ZTIL's clientele majorly consists of client having high credit worthiness and reputations in the market. Some of the key customers of ZTIL are Amara Raja Batteries Ltd, Pernod Ricard, India Glycols Limited, Allied Blenders and Distillers Pvt Ltd, Radico Khaitan Limited, Cavinkare Pvt Ltd.



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Key Rating Weaknesses

Moderate scale of Operations:

ZTIL's revenue grew at a CAGR of 20% over FY17-FY20 on the back of round-the-year demand from existing customers, the addition of new clients, and the introduction of new products. The revenue grew 26.07% to Rs. 134.91 crore in FY20. The management expects the revenue to grow to Rs. 147.95 crore in FY21 due to the introduction of new products. One of the products is canisters, whose unit has been operating at full-fledged capacity from FY20; the company expects the product to contribute around Rs. 20 crores to the company's revenue during the year.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

The company has adequate liquidity as seen by Gross Cash Accruals of Rs. 11.64 crore which are higher as compared to the debt obligations ranging around Rs. 8 crores from FY21-23. Its bank limits are utilized to the extent of ~84% during the past 12 months ended August 31, 2020 indicating a moderate liquidity buffer. The company has enough headroom in terms of gearing ratios with it hovering around unity.

About the Company

Incorporated as 'Zircon Pharma Impex Private Limited' on February 16, 1999 at Delhi as a private limited company, and later in 2003, the name being changed to "Zircon Technologies Private Limited". Subsequently, in 2008, the company was converted into a public limited company as 'Zircon Technologies (India) Limited' (ZTIL). The company is engaged in the business of label printing for packaging of products and brand security solutions. Revenue is predominantly driven from labelling business. Currently ZTIL has three manufacturing units – two in Dehradun and one in Chennai.



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Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	105.82	134.91
EBITDA	15.76	16.69
PAT	7.87	8.34
Total Debt	41.30	47.58
Tangible Net worth	27.66	39.84
EBITDA Margin (%)	14.90	12.37
PAT Margin (%)	7.23	6.08
Overall Gearing Ratio (x)	1.49	1.19

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	25.50	IVR BBB/ Stable	-	-	-
2.	Cash Credit	Long Term	20.00	IVR BBB/ Stable			

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for



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positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	-	25.50	IVR BBB/ Stable
Long Term Bank Facilities – Cash Credit	-	-	-	20.00	IVR BBB/ Stable