



## Press Release

### Clearsynth Labs Limited (CLL)

**March 14, 2024**

#### **Ratings**

<b>Instrument/ Facility</b>	<b>Amount (Rs. crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b>Complexity Indicator</b>
Long Term Bank Facilities	89.95	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	Assigned	Simple
<b>Total</b>	<b>89.95</b>	<b>(Rupees Eighty-Nine crore and Ninety-Five lakh only)</b>		

#### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

Infomerics has assigned the ratings to the bank facilities of CLL which derives strength from moderate financial risk profile, comfortable debt protection metrics and experienced promoters. The ratings strengths are, however, constrained by modest scale of operations, working capital intensive nature of operation, project execution risk and exposure to stringent regulatory norms.

#### **Key Rating Sensitivities:**

##### **Upward Factors**

- Sustained improvement in revenue and profitability and/or improvement in working capital cycle while maintaining the current credit profile.

##### **Downward Factors**

- Any declined in revenue and profitability and/or further elongation in working capital cycle and/or any unplanned debt led capex leading to deterioration in liquidity or credit profile.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Strong operating profitability albeit declined on y-o-y basis**

CLL's EBITDA margins remained strong though declined on y-o-y basis. EBITDA margins have declined to 10.72% in FY23 as compared to 25.02% in FY22 due to higher raw material cost and inventory losses of Rs. 4.11 crore due to fire during January, 2023. As per management, this amount is likely to recover during FY24 against insurance claim. EBITDA margins have improved to 15.56% as per 9MFY24 with stable raw material cost. Ability to sustained improvement in profitability would be a key monitorable.

##### **Comfortable debt protection metrics**

CLL's capital structure slightly deteriorated during FY23 though remain comfortable with overall gearing and TOL/TNW ratios at 0.63x and 1.13 (FY22: 0.11x and 0.37x respectively) due to additional working capital facilities and additional term loans availed during FY23. Further, CLL's interest coverage ratio remained stable at 2.86x in FY23 as against 2.92x due to stable interest costs.

##### **Experienced promoters**

Clearsynth Labs Limited (CLL) is a Mumbai based speciality chemicals manufacturing company which was incorporated on March 30, 2010. CLL is currently managed by Mr. Vijay Kumar Ambati who has rich experience of 25 years in the field of Pharmaceuticals and Mr. Vishwanatham Ambati who has total experience of 40 years.

#### Key Rating Weaknesses

##### **Modest Scale of operations**

CLL's scale of operations remained moderate with revenue of Rs.81.77 crore as compared to Rs.48.78 crore. Revenue has improved due to higher sales of deuteron business segment and catalog business. As per 9MFY24, CLL has achieved revenue of Rs.109.96 crore with higher volume and realisations.

##### **Working Capital intensive nature of operation**

CLL's activities are working capital intensive, as evidenced by a high operating cycle during the last three fiscal years. Gross working capital remained high and at 243 days each in FY22 and FY23. Gross working capital cycle remained high due to higher inventory days which were



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at 386 in FY23 (FY22: 355). Inventory days were higher as CLL needs to maintain high inventory of raw materials and finish goods due to continuous orders.

### **Project execution risk**

CLL is planning to incur capex of Rs.72.17 crore for expansion of existing unit and setting up of new manufacturing unit at Patalganga, Maharashtra over FY25-FY26 funding through mix of internal accruals and term loans. CLL is yet to achieve financial closure for this capex. Ability to complete the capex without any time and cost overrun would result in achievement of projected revenue and profitability.

### **Exposure to stringent regulatory norms**

CLL operates in an industry that poses high risks to environment and health. Consequently, the industry is regulated by stringent norms by regulatory bodies. The company continues to comply with such norms; however, any changes in the policies may adversely constrain the business.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Criteria of Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Financial Sector\)](#)

[Criteria of Default Recognition](#)

### **Liquidity – Adequate**

CLL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The average working capital utilisation for 12 months ending December 2023 has been 85.11%. The current ratio stood, and quick ratio stood at 1.82x and 0.51x respectively as on March 31, 2023.



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### About the Company

Clearsynth Labs Limited (CLL) is a Mumbai based speciality chemicals manufacturing company which was incorporated on March 30, 2010. CLL has two business segments – deuteron business (contract manufacturing of deuterated speciality chemicals) and catalog business (providing API Reference standards to speciality chemicals). CLL has its own Research & Development labs in Hyderabad for manufacturing catalog products. These deuterated speciality chemicals are majorly used by pharmaceutical chemicals to manufacture drugs and is also used by electrical companies to manufacture OLED materials. CLL is currently managed by Mr. Vijay Kumar Ambati who has rich experience of 25 years in the field of Pharmaceuticals.

### **Financials (Standalone):**

	<b>(Rs. crore)</b>	
<b>For the year ended / As on</b>	<b>31-03-2022</b>	<b>31-03-2023</b>
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	48.78	81.77
EBITDA	12.20	8.76
PAT	3.51	1.01
Total Debt	6.64	39.69
Tangible Net-Worth	62.17	62.59
<b>Ratios</b>		
EBITDA Margin (%)	25.02	10.72
PAT Margin (%)	6.92	1.22
Overall Gearing Ratio (x)	0.11	0.63

\* Classification as per Infomerics' standards

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

**Any other information: Nil**

### **Rating History for last three years:**

<b>Sr. No.</b>	<b>Name of Instrument/ Facilities</b>	<b>Current Ratings (Year 2023-24)</b>			<b>Rating History for the past 3 years</b>		
		<b>Type</b>	<b>Amount outstanding (Rs. Crore)</b>	<b>Rating</b>	<b>Date(s) &amp; Rating(s) assigned in 2022-23</b>	<b>Date(s) &amp; Rating(s) assigned in 2021-22</b>	<b>Date(s) &amp; Rating(s) assigned in 2020-21</b>
1.	Term Loan	Long Term	9.95	IVR BB+/ Stable	--	--	--



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
2.	Cash Credit	Long Term	33.00	IVR BB+/ Stable	--	--	--
3.	Proposed	Long Term	47.00	IVR BB+/ Stable			

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).



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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
Term Loan	--	--	--	9.95	IVR BB+/ Stable
Cash Credit	--	--	--	33.00	IVR BB+/ Stable
Proposed	--	--	--	47.00	IVR BB+/ Stable

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details** <https://www.infomerics.com/admin/prfiles/Len-Clearsynth-Labs-14mar2024.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**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](http://www.infomerics.com).