



Press Release

Zircon Technologies India Limited

July 16th, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	95.52	IVR BBB / Stable (IVR triple B with stable outlook)	IVR BBB / Stable (IVR triple B with stable outlook)	Assigned / Reaffirmed	Simple
Short Term Bank Facilities	0.50	IVR A3+ (IVR A three plus)	-	Assigned	Simple
Total	96.02	(Rupees ninety-six crore and two lakhs only)			

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has reaffirmed its rating assigned to the bank facilities for long-term facilities to IVR BBB with stable outlook of Zircon Technologies India Limited (ZTIL). Infomerics Ratings has also assigned the rating of IVR BBB with stable outlook for the long-term enhanced facilities and IVR A3+ for the short-term facilities of Zircon Technologies India Limited.

The rating continues to draw support from experienced promoters in the labelling industry with an established presence, marked by reputed clientele albeit customer concentration remains. Further, the ratings continue to take into consideration the healthy operating margins and coverage indicators. However, these strengths are partially offset by moderate scale of operations and leveraged capital structure. The ratings continue to take into consideration highly competitive intensity in the business characterised by numerous smaller unorganised players.

The outlook is stable on account of improved financial risk profile. IVR believes that ZTIL will continue to benefit from its operational track record in the business and reputed clientele.



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IVR has principally relied on the standalone provisional financial results of Zircon technologies India Limited (ZTIL) up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024) and projected financials for FY2025 (refers to period April 1st, 2024, to March 31st, 2025) - FY2027 (refers to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Substantial growth in scale of operations accompanied by sustained improvements in profitability metrics.
- Sustained improvement in the capital structure with further improvement in debt protection metrics.

Downward Factors

- Dip in operating income and/or profitability further impacting the debt coverage indicators and/or deterioration in the financial risk profile
- Any significant rise in working capital intensity or debt funded capex leading to a further deterioration in the liquidity position, specific credit metric for downgrade includes DSCR below 1.50 times on sustained basis.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of the promoters and qualified Management**

The Sondhi family manages day-to-day operations of the company which comprises of Mr. Sanjeev Sondhi who have more than two decades of experience in the labelling industry. Zircon Technologies India Limited is well supported by qualified independent directors on board.

- **Reputed clientele albeit customer concentration**

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,



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automobile industries as well as for industrial products etc. Having presence in diversified industry safeguards ZTIL from downturn in a particular industry. Some of the key customers of ZTL are Pernod Ricard India Private limited, Sun Pharma Laboratories Ltd., Allied Blenders and Distillers Pvt Ltd., Radico Khaitan Limited, Cavinkare Pvt Ltd. etc.

- **Healthy operating margins**

EBITDA increased from Rs. 15.53 crore in FY23 to Rs. 18.81 Crore in FY24 (Prov.). The EBITDA margin increased by 221 bps from 10.26% in FY23 to 12.47% in FY24 (Prov.) due to decrease in indirect expenses of spares and consumables. PAT decreased from Rs. 7.45 crore in FY23 to Rs. 7.37 crore in FY24 (Prov.). The PAT margin remained range bound at 4.76% in FY23 and at 4.79% in FY24 (Prov.) with GCA of Rs. 15.20 crore in FY24 as against Rs. 14.98 crore in FY23.

Key Rating Weaknesses

- **Moderate scale of operations**

Zircon technologies India Limited recorded CAGR in total operating income of 4% from FY20 to FY24. The top line stood at 150.84 crore in FY24 (prov.) as against Rs. 151.31 crore in FY23, to decrease in demand of canister labels and subsequently increase in demand of Blister foil labels and speciality labels.

- **Leveraged capital structure**

The overall gearing of the company stood leveraged at 1.47x as on March 31, 2024 (Prov.), as against 1.48x on March 31, 2023, due to increase in term loan for capex expenditure in FY24 (Prov.). However, the company has been able to generate sustainable cash surplus to repay as well as reinvest in the company. Total indebtedness of the company as reflected by TOL/Adj. TNW remained leveraged at 2.46x as on March 31, 2024 (prov.) and 2.05x as on March 31, 2023. Total Debt/ GCA stood at 5.80 years in FY24 (Prov.) as against 5.36 years in FY23 due to increase in total Debt in FY24 (Prov.).

- **High Competitive intensity in the industry**

Operating within the Indian industry, Zircon technology India Limited faces intense competition from smaller domestic as well as international players. Orders are predominantly secured from market players based on competitive pricing, exposing ZTIL's profitability to intense competition from other domestic companies..



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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Instrument / Facility wise default recognition & post Default curing period](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity –Adequate

The liquidity position of the company is expected to remain adequate as it expects sufficient cushion in its cash accruals vis-à-vis debt repayments. The average fund-based utilisation for last 12 months ending April'24 stood moderate at 97.09%, indicating moderate cushion cover availability in case of additional working capital requirement. ZTIL's operating cycle increased and stood at 77 days in FY24 (Prov.) as against 64 days in FY23 due to increase in inventory days, with marginal decline in scale of operations. The unencumbered cash and bank balance is Rs. 0.34 Crore as on March 31, 2024 (prov.).

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.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	151.31	150.84
EBITDA	15.53	18.81



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PAT	7.45	7.37
Total Debt	80.36	88.21
Tangible Net Worth	54.29	60.04
EBITDA Margin (%)	10.26	12.47
PAT Margin (%)	4.76	4.79
Overall Gearing Ratio (x)	1.48	1.47
Interest Coverage (x)	2.43	2.68

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument / Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (May 22, 2023)	Date(s) & Rating(s) assigned in 2021-22 (24 February 2022)	Date(s) & Rating(s) assigned in 2021-22 (13 January 2022)	Date(s) & Rating(s) assigned in 2020-21 (28 October 2020)
1.	Fund based bank facilities	Long Term	95.52	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB / Stable	IVR BBB/ Stable
2.	Non-fund-based bank facilities	Short Term	0.50	IVR A3+	-	IVR A3+	-	

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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



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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 and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund based bank facilities – Cash Credit	-	-	-	-	30.00	IVR BBB / Stable
Fund based bank facilities – Term loan	-	-	-	April'31	65.52	IVR BBB / Stable
Non-fund-based bank facilities – Bank Guarantee	-	-	-	-	0.50	IVR A3+



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Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Zircon-Techno-16july24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.

