



Press Release

Clair Engineers Private Limited (CEPL)

January 16, 2024

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Term Loans	1.93 (Reduced from Rs.2.63 crore)	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Long Term Fund Based Bank Facilities – Cash Credit	20.00	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Fund Based Bank Facilities – Bank Guarantee	47.00 (Increased from Rs.25.00 crore)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Short Term Fund Based Bank Facilities – Letter of Credit	5.00	IVR A3 (IVR A Three)	Reaffirmed	Simple
Long Term Fund Based Facility – Proposed	0.70	IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Total	74.63 (Rupees seventy four crore and sixty three lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating Reaffirmation/assigned to the bank facilities of Clair Engineers Private Limited continues to derive comfort from extensive experience of the promoter in air pollution control equipment, proven project execution capability along with catering to diversified sectors, reputed clientele albeit exposed to moderate client concentration risk, comfortable order book, moderate financial risk profile and expected boost to the industry due to Government policies.



Press Release

The ratings are, however, constrained by modest scale of operations and volatile profitability, elongated working capital cycle and susceptibility to volatility in raw material prices.

Key Rating Sensitivities:

Upward Factors

- Significant & Sustained growth in scale of operation and profitability leading to improvement in debt protection metrics & capital structure thereby leading to overall improvement in cash accruals on a sustained basis.
- Effective working capital management leading to improvement in operating cycle and liquidity

Downward Factors

- Decline in operating income and/or profitability impacting the debt coverage indicators,
- Elongation in the operating cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoter in air pollution control equipment

Dr. K. Sainath is the Promoter and Managing Director of Clair Engineers Private Limited. Dr. K. Sainath is an Ph. D in Gas-Solid separation from IIT-Delhi. He founded Clair Consultants Private Limited in 1992 with a vision to improve quality of pollution control equipment in order to render the process industries (particularly cement & steel) comply with new Particular Matter emission norms. Being a technocrat himself, he was involved in environmental audits, renovation of Air Pollution Control equipment and process enhancement of cement plants in India, Sudan, Ethiopia and other North African countries. Subsequently, K. Srikanth, son of Dr. K. Sainath also joined the business of his father. He is an Engineer (Electronics & Instrumentation) from Jawaharlal Nehru Technological University (JNTU), Hyderabad. He is an Executive Director handling business development to project execution matters at Clair. Clair is headed by highly skilled and experienced team of people who are expertise in their respective field.

Proven project execution capability along with catering to diversified sectors



Press Release

Clair has long track record of more than two decades in pollution control equipment segment. Over the years the company has established itself in the pollution control equipment industry and successfully completed many projects. The journey started with the first supply order of pollution control equipment for Cement plant which was an international project and on EPC basis. Subsequently, the Company entered into many new industries. The Company's promoter has an extensive experience and expertise in pollution control equipment manufacturing with related technical and regulatory knowledge of over four decades. Over the years, the management have developed a sound understanding of market dynamics and healthy relations with customers and suppliers. Company's market position is supported by necessary approvals in place, continuous expansion in its customer and consequently a diversified customer base. It is catering to diversified sectors such as steel, cement, sugar, power, chemical, metal, rubber, glass etc. Hence, the customer profile is well diversified. Clair has supplied over 1,800 Air Pollution Control Systems to over 150 Clients in India and 27 other countries.

Reputed clientele albeit exposed to moderate client concentration risk

CEPL sells its products to reputed customers including JSW Steel Limited, Ultratech Cement Limited, Dalmia Cement (Bharat) Limited, Khd Humboldt wedag (India) Pvt Ltd, Wonder Cement Limited, TATA Steel Limited and others where the firm carries a long- standing relationship with its customers reflecting in repeated and continuous orders flow on weekly and monthly basis. Overall, the firm is exposed to moderate concentration risk as the top 5 customers contributed around 73% of total sales of the company during FY23 as compared to approx. 77% in FY22 and JSW Steel Limited being the main customer who contributes more than 30%.

Comfortable Order Book

The Company has total order book amounting to Rs.186.00 crore as on December 31, 2023 providing short to medium term revenue visibility. Most of the projects are to be executed in less than one year with some of the small orders to be executed within two to three months. The cement and steel segments are the major contributors to the order book. In the last one-year, large cement groups like UltraTech and Holcim have incurred capex and CEPL has been able to secure orders for air pollution control equipment from these Groups. In the steel segment, CEPL has added large integrated steel plants like Tata Steel and JSW Steel to its



Press Release

portfolio. Apart from the existing order book, CEPL has active business enquiries from the steel, cement and sugar sectors.

Moderate financial risk profile

The Company's financial risk profile is moderately comfortable, marked by a comfortable net worth, moderate gearing along with comfortable debt protection metrics. The adjusted tangible net worth of the Company stood at Rs.46.90 crore as on March 31, 2023 (A) as against Rs.44.51 crore as on March 31, 2022 (A) which included subordinated unsecured loans treated as quasi equity amounting to Rs.10.13 crore in FY23 (A) [FY22: Rs.12.62 crore]. The moderate improvement is on account of the moderate accretion of net profit in the reserves during the period. The gearing level stood 0.55x as on March 31, 2023 (A) as against 0.51x as on March 31, 2022 (A), the deterioration is on account of increase in short term debt during the period to fulfil the increasing order requirement during the year wherein working capital was required. TOL/TNW (Total outside liabilities/Total net worth) stood almost at similar level as on March 31, 2023 and stood at 1.47 times as against 1.49 times as on 31 March, 2022.

Expected boost to the industry due to Government policies

The Indian Air Pollution Control Equipment (APCE) market is a layered market with multiple segments like scrubbing systems, filtration systems, electrostatic precipitators etc. Stricter implementation of stringent ecological regulations is expected to boost demand and drive revenue growth. Rapid growth in the infrastructure sector is also likely to increase the demand for APCE. Another boosting factor is the growing public awareness about pollution.

Key Rating Weaknesses

Modest scale of operations and volatile profitability

The company total operating income grew substantial over the years from Rs.6.8 Crore in FY06 (A) to Rs.138.6 Crore in FY23 (A) in last several fiscal years. The growth is attributable towards increasing demand on account of increased CAPEX undertaken by the Companies and various policies adopted by the Government in the area of pollution control and carbon emission. The profitability margins improved during the year with EBITDA margin of 6.97% in FY23 (A) [FY22: 4.34%] and PAT margin of 2.00% in FY23 (A) [FY22: 0.75%] on account of benefit of economies of scale as well as increased volume due to expansion in capacity. However, during FY22 margins were lower on account of impact of 2nd wave of COVID during



Press Release

H1FY22 which can be seen from the fact that revenue booked in H1FY22 was only ~Rs 22 crore when compared to revenue of ~ Rs82 crore booked in H2FY22. Further, the company has achieved revenue to ~Rs.80.00 Cr for 9M FY24.

Elongated working capital cycle

The Company operates in an industry where the debtors cycle is getting elongated due to the nature of the industry and payment cycle which is linked to the completion of CAPEX cycles by the companies. The payment cycle is defined as 10% received in advance, 80% is received within 30 to 45 days of the material dispatch and the remaining 10% is released after the material is installed and inspected at the client's end. Time taken for installation and inspection is increasing due to longer commissioning of the plant which sometimes results in some receivables being outstanding for more 180 days. This results in the debtors cycle being elongated. During FY23 (A), the average collection period stood at 148 days (FY22: 118 days). Thus, working capital cycle days are elongated around 141 days in FY23 (A) and 131 days in FY22 (A).

Susceptibility to volatility in raw material prices

Because of volatility in the price of major raw material- steel, polyester etc, the operating margin remains susceptible to these volatilities. The ability of players to pass on input cost increases or retain any benefit of lower input costs is constrained due to intense competition. The company is able to pass on the same to some extent. Going forward, the company's ability to pass on any fluctuation in raw material price movement and sustaining the margins will remain a key monitorable.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity: Adequate

The liquidity draws comfort on account of the steady gross cash accruals of CEPL, which stood at Rs.3.79 crore in FY23 (A) [FY22: Rs.2.00 Crore] as against long term debt repayment



Press Release

during the same periods. The current ratio stood comfortable at 1.31 times as on March 31, 2023. The overall average fund based working capital utilisation for the last 12 months ended December 2023 stood at ~ 90%. The cash and bank balances of the company stood at Rs.3.18 Crore as on March 31, 2023 (A).

About the company

Dr. K. Sainath founded Clair Consultants Private Limited in 1992 at Hyderabad, Telangana with a vision to improve the quality of pollution control equipment in order to render the process industries (particularly cement & steel). Clair Engineers Private Limited was incorporated in 2005 at Hyderabad, Telangana, as a supplier of Air Pollution Control equipment (like Bag filter, ESP's, Dust Extraction Systems etc.) and ventured into turnkey projects. With an intent to catering to industry needs of tackling large gas volumes, Clair collaborated with an Italian techno-scientist to launch their product, the optiwave pulse-jet bag filter, that can efficiently handle high gas volumes with bag-lengths of more than 8 meters and up to 12 meters.

Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2022	31-03-2023
	(Audited)	(Audited)
Total Operating Income	103.63	117.98
EBITDA	4.50	8.23
PAT	0.79	2.38
Total Debt	22.56	25.64
Tangible Net worth	44.51	46.90
Ratios		
EBITDA Margin (%)	4.34	6.97
PAT Margin (%)	0.75	2.00
Overall Gearing Ratio (x)	0.51	0.55

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

ICRA has moved the rating of Clair Engineers Private Limited under "ISSUER NOT COOPERATING" category as ICRA BB+ / Stable (ISSUER NOT COOPERATING); ICRA A4+ (ISSUER NOT COOPERATING) vide its Press Release dated July 10, 2023 due to absence of requisite information.

Any other information: Nil



Press Release

Rating History for last three years:

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 2023-24 (July 25, 2023)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Fund Based Bank Facilities – Term Loans	Long Term	1.93 (Reduced from Rs.2.63 crore)	IVR BBB- / Stable	IVR BBB- / Stable	-	-
2.	Long Term Fund Based Bank Facilities – Cash Credit	Long Term	20.00	IVR BBB- / Stable	IVR BBB- / Stable	-	-
3.	Short Term Fund Based Bank Facilities – Bank Guarantee	Short Term	47.00 (Increased from Rs.25.00 crore)	IVR A3	IVR A3	-	-
4.	Short Term Fund Based Bank Facilities – Letter of Credit	Short Term	5.00	IVR A3	IVR A3	-	-
5.	Long Term Fund Based Facility – Proposed	Long Term	0.70	IVR BBB- / Stable	-	-	-

Name and Contact Details of the Rating Team:

Name: Amit Bhuwania

Tel: (022) 62396023

Email: abhovania@infomerics.com



Press Release

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

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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 (GECL)	-	-	FY25	0.50	IVR BBB-/ Stable
Term Loan (GECL 1.0 Ext.)	-	-	FY27	1.43	IVR BBB-/ Stable
Cash Credit	-	-	-	20.00	IVR BBB-/ Stable
Bank Guarantee	-	-	-	47.00	IVR A3



Press Release

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Letter of Credit	-	-	-	5.00*	IVR A3
Proposed	-	-	-	0.70	IVR BBB-/ Stable

**Sub Limit of LC: BG of Rs.2.00 crore*

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Clair-jan24.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.