

Cohizon Life Sciences Limited
(erstwhile Sajjan India Limited)

January 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	150.00	CARE A; Stable	Reaffirmed
Long-term / Short-term bank facilities	182.00	CARE A; Stable / CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Cohizon Life Sciences Limited (CLSL) continue to factor in the established presence of the company in the contract development and manufacturing (CDM) of active ingredients for agrochemical companies supported by its strong research and development (R&D) capabilities, healthy relationships with global innovator agrochemical companies, and its robust financial risk profile and strong liquidity. In FY25 (refers to April 01 to March 31), the company has bought back the 10% equity stake held by Eshita Agarwal (erstwhile promoter) for ~₹219 crore. Despite buy-back of shares, the company's liquidity continues to remain strong while reliance on external debt remains low. CARE Ratings Limited (CARE Ratings) also notes the company has dropped the aggressive planned capex of ₹1,250 crore as envisaged earlier.

However, rating strengths are tempered by customer and product concentration risk, ongoing headwinds in the agrochemical industry due to weak export demand, seasonality in the agricultural industry, and changes in regulations of end-user countries. Ratings also consider decline in revenue and profitability in FY24 owing to decline in demand from export market and pricing pressure caused by China's aggressive dumping globally.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale of operations above ₹1500 crore and a profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of 25%.

Negative factors

- Significant decline in the scale of operations and PBILDT margin below 15% on a sustained basis.
- Significant debt-funded acquisition, which may lead to the total debt to gross cash accruals (TD/GCA) exceeding over 2x.
- Significant reduction in the company's liquidity position due to inorganic growth plans, accompanied by challenges relating to integration or operations of the businesses acquired.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CLSL will maintain its robust financial profile while the scale of operations and profitability are expected to gradually improve as demand for agrochemicals improves in the export market.

Detailed description of key rating drivers:

Key strengths

Established track record and long-term relationships with reputed customers

CLSL has four decades of track record in CDM of active ingredients for global agrochemical companies. The company is also involved in manufacturing speciality chemicals and intermediates for pharmaceuticals, dyes and pigment companies. CLSL's presence in custom synthesis of specialty chemicals for innovator agrochemical companies involves a long and complex development cycle which ensures customer stickiness to an extent. The company has been receiving repeat business from its customers for the past 15-20 years. Majority customers purchase ~70-80% of a products requirement from CLSL.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Contract manufacturing supported by research and development (R&D) capabilities

CLSL has in-house R&D capability. CLSL's existing R&D team at Ankleshwar consists of 42 members with 12 PhDs, one Masters of Agro-chemistry and 29 MScs. CLSL has recently developed research and technology centre in Navi-Mumbai. The new R&D centre has a 40-member team of PhDs, Masters of Agro-chemistry and mechanical and chemical engineers and who have an established industry experience. The company has a healthy pipeline of molecules for innovator agrochemical companies, which are set for launch in the near-to-medium term. Currently, CLSL has product profile of 15-17 intermediaries which majorly pertain to the agrochemical segment. For majority intermediaries CLSL's customer provide the technology transfer. Customers intellectual property is protected with successfully designed management codification and insulation.

Strong capital structure and coverage indicators

CLSL has a strong financial risk profile with overall gearing of 0.10x (PY:0.05x), total outside liability to total net worth (TOL/TNW) of 0.28x (0.39x), total debt to gross cash accrual (TD/GCA) of 0.95x (PY:0.24x) and interest coverage of 11.91x (45.50x) in FY24. Gearing and coverage indicators are expected to remain healthy, going forward considering expected improvement in revenue and profitability which will lead to better cash accruals, strong liquidity and low reliance on external debt for funding capital expenditure. CLSL had earlier envisaged a capex plan of ~₹1,200 crore which has been scaled-down due the current headwinds in the agrochemical sector. The company is now planning to incur capex of ~₹250 crore over next two years which is being funded through term debt of ₹150 crore and balance through internal accruals and available liquidity.

Key weaknesses

Ongoing headwinds in the agrochemical industry

The long-term prospects of the sector remain promising. However, the global agrochemical sector has been facing challenges since H2FY23. These challenges primarily stem from increased channel inventory which affected the demand from export market and pricing pressure caused by China's aggressive dumping. Consequently, there has been a decline in scale of operations and profitability in FY24. In FY24 CLSL reported revenue of ₹1052.52 crore (PY: ₹1505.49 crore) and PBILDT margin 16.74% (PY:26.31%). The revenue is expected to further moderate in FY25 owing as the headwinds in the agrochemical sector continues. However the revenue is expected to improve from FY26 owing to gradual decline in the existing channel inventory.

Customer and product concentration risk

The company derives 90% revenue from the agrochemical industry, followed by specialty chemicals. Customer concentration is high with the top 10 customers contributing ~79% revenue in FY24. Product concentration risk persists with the top 8-10 products continuing to contribute substantially to SILs' revenue.

Susceptibility to seasonality in agricultural industry

The agrochemical industry is regulated by registration processes and is subject to environmental rules and regulations. The agriculture industry highly depends on factors such as rainfall. Shortfall or excessive rains affect the agricultural produce, which negatively impacts the crop science industry.

Liquidity: Strong

CLSL's liquidity is strong marked by strong cash accruals, low dependence on external debt, significant cash/bank balance and investment in mutual funds. In FY25 and FY26, CLSL is projected to report cash accruals of ~₹120 crore and ~₹159 crore, respectively, against term loan repayment of ~₹ eight crore in FY25 and ~₹34 crore in FY26. As on March 31, 2024, CLSL had a cash/bank balance of ₹458.32 crore and investment in mutual funds of ₹264.59 crore, of which the company has utilised ~₹219 crore for buy-back of shares in FY25. The average fund-based utilisation was ~36% for the 12 months ended November 2024. Post this buy back, the company as on latest date has liquidity of ~₹480 crore in the form of fixed deposits and investment in mutual funds.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals and petrochemicals	Specialty chemicals

CLSL (erstwhile Sajjan India Limited) has over four decades of experience in CDM for large-scale production of active ingredients, electronic chemicals, speciality chemicals, and intermediates for agrochemicals, pharmaceuticals, dyes and pigments. It mainly manufactures and supplies input chemicals to established innovator agrochemical companies for their patented products. In FY23, the company was acquired by Sona Company Private Limited (a group company of the private equity [PE] firm, CVC Capital Partners). CVC Capital Partners is a Luxembourg-based PE and investment advisory firm with ~€117 billion of assets under management (AUM). CLSL has its manufacturing site at Ankleshwar, Gujarat, with a R&D laboratory and pilot plant facilities built over 140,000 square metre land. The total capacity of this facility is 15,800 metric tonne.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (Prov.)
Total operating income	1,505.49	1,052.52	471.24
PBILDT	396.16	176.16	61.52
PAT	276.04	106.16	NA
Overall gearing (times)	0.05	0.10	NA
Interest coverage (times)	45.50	11.91	NA

A: Audited; UA: Unaudited; Prov.: Provisional; NA: Not Available; Note: these are latest available financial results;

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	June 2029	150.00	CARE A; Stable
Fund-based/Non-fund-based-LT/ST	-	-	-	-	182.00	CARE A; Stable / CARE A1

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	150.00	CARE A; Stable	-	1)CARE A; Stable (11-Dec-23)	-	-
2	Fund-based/Non-fund-based-LT/ST	LT/ST	182.00	CARE A; Stable / CARE A1	-	1)CARE A; Stable / CARE A1 (11-Dec-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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