

## Press Release

### Rathi Dye Chem Private Limited (RDCPL)

31 January, 2017

#### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs.12.25 Cr
<b>Long Term Rating</b>	SMERA BBB-/Stable(Assigned)
<b>Short Term Rating</b>	SMERA A3 (Assigned)

\*Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) and short-term rating of '**SMERA A3**' (**read as SMERA A three**) on the above mentioned bank facilities of Rathi Dye Chem Private Limited (RDCPL). The outlook is '**Stable**'.

RDCPL, established in 1978, is engaged in the manufacture of disperse and solvent dyes.

#### List of key rating drivers and their detailed description

##### Strengths:

**Experienced management:** The company is headed by Dr. Sunil Harinarayan Rathi, Managing Director, with more than a decade of experience in the chemical industry.

**Healthy profitability:** The company reported operating margin of 9.12 per cent for FY2015-16 vis-à-vis 7.74 per cent in the previous year. The net profit margin stood healthy at 3.34 per cent for FY2015-16 vis-à-vis 2.15 per cent in the previous year.

**Comfortable financial risk profile:** The comfortable financial risk profile is marked by comfortable gearing of 0.59 times as on 31 March, 2016. The total debt of Rs.8.44 crore as on 31 March, 2016 consists of short term working capital borrowing of Rs.7.75 crore. The interest coverage ratio (ICR) stands healthy at 3.84 times in FY2016. The debt service coverage ratio (DSCR) stood healthy at 3.16 times in FY2016. The net worth stood moderate at Rs.14.31 crore as on 31 March, 2016 as against Rs.12.70 crore as on 31 March, 2015. The net cash accruals to total debt (NCA/TD) stand comfortable at 0.30 times in FY2016.

**Comfortable liquidity position:** The company has a comfortable liquidity position marked by net cash accruals of Rs.2.53 crore as on 31 March, 2016. Moreover, the company does not have any long term debt obligations. However, it has around 80-85 per cent utilisation in working capital limit.

**Moderate scale of operation:** The revenue stood moderate at Rs.48.38 crore in FY2016 as against Rs.47.71 crore in FY2015. The company earned revenue of Rs.39.00 crore till December '16.

##### Weaknesses:

**Working capital intensive operations:** The operations are working capital intensive marked by gross current asset (GCA) days of 180 for FY2016 as against 170 in FY2015. The inventory and debtor days are high at 71 and 88 days respectively in FY2016 as against 68 and 84 days in FY2015.

**Debt-funded capex plan:** The company plans to expand its current capacity involving a fund outlay of around Rs.7.93 crore to be funded in the debt equity ratio of 3:1. While this may increase gearing, the same is expected to remain at healthy levels. The project is at a nascent stage and will commence from FY2018.

**Analytical approach:** SMERA has considered the standalone business and financial risk profiles of the entity.

**Applicable Criteria:**

- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities: <https://www.smera.in/criteria-manufacturing.htm>

**Outlook: Stable**

SMERA believes that RDCPL will maintain a stable outlook in the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue and net cash accruals while maintaining its profit margins and improvement in its working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenue and profitability or deterioration in the financial risk profile.

**About the Rated Entity**

RDCPL, incorporated in 1978, is a Maharashtra-based manufacturing company promoted by Dr. Sunil Harinarayan Rathi. The company is engaged in the manufacture of disperse and solvent dyes with installed capacity of 50 tons per month (TPM) and 35 TPM respectively, majorly catering to the textile industry, paper & printing (Ink) industry, leather industry, plastic industry among others.

For FY2015–16, RDCPL registered profit after tax (PAT) of Rs.1.62 crore on operating income of Rs.48.38 crore, as compared with PAT of Rs.1.02 crore on operating income of Rs.47.71 crore in FY2014–15. The tangible net worth stood at Rs.14.31 crore as on March 31, 2016 as against Rs.12.70 crore in the previous year.

**Status of non-cooperation with previous CRA (if applicable):** Not Applicable

**Any other information:** Not Applicable

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

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	6.00	SMERA BBB- /Stable (Assigned)	-	-	-	-	-	-
Cash Credit	LT	6.00	SMERA BBB- /Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	0.25	SMERA A3 (Assigned)	-	-	-	-	-	-

**\*Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	N.A	N.A	N.A	6.00	SMERA BBB-/Stable (Assigned)
Cash Credit	N.A	N.A	N.A	6.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	0.25	SMERA A3 (Assigned)

**Note on complexity levels of the rated instrument:**
<https://www.smerra.in/criteria-complexity-levels.htm>
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**ABOUT SMERA**

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