



**Press Release**  
**Rathi Dye Chem Private Limited**  
**April 29, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative	-
Bank Loan Ratings	0.25	-	ACUITE A3   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	12.25	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.12.25 Cr. bank facilities of Rathi Dye Chem Private Limited (RDCPL). The outlook is revised to '**Negative**' from '**Stable**'.

**Rationale for the rating**

The revision in outlook takes into account deterioration in the operating performance of RDCPL, marked by dip in the revenue and profitability margins. The operating revenue of the company stood at Rs.84.04 Cr. in FY2023 as against Rs.105.82 Crore in FY2022. The operating margins stood at 12.08 percent in FY2023 as against 17.85 percent in FY2022. Further, the deterioration is seen in the financial risk profile marked by reduction in DSCR, interest coverage ratio and increase in Debt-EBITDA ratio. The company also witnessed elongation in working capital cycle driven by increasing inventory days. Nonetheless, the rating is supported by established track record of operations with experienced management and adequate liquidity position of the company.

**About the Company**

Established in 1978 by Mr. Harinarayan Rathi and is well supported by the second generation, Mr. Sunil Harinarayan Rathi, who is the current Director of the company, Rathi Dye Chem Private Limited (RDCPL) is a Pune based entity engaged in the manufacturing of dispersing dyes and solvent dyes. Disperse Dyes have their application in Textiles, Clothes (Terricot, Terriwool) and solvent dyes in Plastics, Glass coating and Ink production industries. RDCPL has a manufacturing facility located at Roha in Raigad District (Maharashtra) with an installed capacity of 100 TPM and 45 TPM for dispersing dye and solvent dyes, respectively. Disperse Dyes have their application in Textiles, Clothes (Terricot, Terriwool) and solvent dyes in Plastics, Glass coating, Ink production industries, Granite, Decorative things used in saree, etc.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone view of the business and financial risk profile of RDCPL to arrive at the rating.

**Key Rating Drivers**



## **Established track record of operations supported by experienced management and diversified customer profile**

RDCPL was established in 1978 and is engaged in the manufacturing of dispersed dyes and solvent dyes. The company has an established track record of over four decades in the industry. The company is managed by Mr. Harinarayan Rathi, who has been involved with the company since inception and possesses over four decades of experience in the said industry. Mr. Harinarayan Rathi is well supported by the second generation, Mr. Sunil Harinarayan Rathi, who is the current Managing Director of the company and possesses over two decades of experience in the said industry. The top management is ably supported by a well-qualified and experienced team of the second line of management. The company also caters to different industries such as textile, clothes, plastic, ink industry, and others. Thus, ensuring diversification in revenue profile.

Acuité believes that the company will benefit from its experienced management, which will help to create long-standing relations with customers and suppliers.

## **Moderate Financial Risk Profile**

The financial risk profile of the company stood moderate, marked by moderate net worth, low gearing (debt-equity) and moderate debt protection metrics. The tangible net worth stood at Rs.63.60 crore as on 31 March 2023 as against Rs.61.64 crore as on 31 March, 2022. The total debt of the company stood at Rs.32.70 crore which includes short-term debt of Rs.15.39 crore, long-term debt of Rs.5.31 crore, unsecured loans of Rs.10.36 crore and CPLTD of Rs.1.64 crore as on 31 March, 2023. The gearing (debt-equity) stood at 0.51 times as on 31 March 2023 as compared to 0.47 times as on 31 March, 2022. Interest Coverage Ratio stood at 3.41 times for FY2023 as against 8.84 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 2.53 times in FY2023 as against 5.40 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.73 times as on 31 March, 2023 as against 0.75 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.20 times for FY2023 as against 0.46 times for FY2022.

Acuite believes the financial risk profile of RDCPL is expected to remain moderate in the near to medium term.

## **Weaknesses**

### **Intensive working capital management**

The working capital management of the company is intensive marked by GCA days of 196 days in FY2023 as against 168 days in FY2022. The debtor days stood at 98 days in FY2023 as against 101 days in FY2022. The company generally gives a credit period of 90 days to its customers. The Creditor days stood at 45 days in FY2023 as against 58 days in FY2022. However, the company is generally allowed a credit period of 60 days from its suppliers. The inventory days stood at 106 days in FY2023 as against 66 days in FY2022. The company generally maintains an inventory holding period of 45-50 days on average. The average consolidated utilization of fund-based limits stands in the range of ~30-40% of the sanctioned amount for the last 09 months ended December 2023.

Acuite believed the working capital management of RDCPL is expected to stabilize in the near to medium term.

## **Declining Operating performance**

The company has recorded an operating income of Rs.84.04 crore in FY2023 as against Rs.105.82 crore in FY2022. The revenue in FY2023 has decreased by 21% majorly because of the lower demand of solvent and disperse dyes domestically as well as internationally.

Out of the total revenue achieved in FY2023, the company had recorded 68% selling dyes domestically and remaining 32% from exports. It exports to countries like USA, Italy, Japan, Egypt, Europe, Turkey among others.

Further, for 9MFY24, company had achieved a revenue of Rs. 51.47 Crore in which, ~29% is from exports and remaining ~71% is from domestic market.

## **Profitability susceptible to volatility in raw material prices**

The profitability in the Chemical Industry is highly susceptible to volatility in raw material prices. Therefore, the operating profit margins of the company is susceptible to raw material price fluctuation. In FY2023, the company's operating margins declined and stood at 12.08 percent

as against 17.85 percent in FY2022. The margins have been impacted due to volatility in raw material prices and the company was not able to pass on the price to its customers much. Furthermore, the company's operating margins stood at 12.80 percent in 9MFY24. The PAT margins also declined and stood at 3.81 percent in FY2023 as against 9.23 percent in FY2022. The reason of deterioration in PAT margins is due to increase in interest cost. RDCPL operates in highly fragmented chemical industry with the presence of a large number of players in the organized as well as unorganized sector. This limits the bargaining power of RDCPL with customers and ultimately affects the margin.

### **Rating Sensitivities**

Movement of operating income and profitability levels  
Movement in working capital cycle.

### **Liquidity Position Adequate**

The company's liquidity position is adequate, marked by adequate net cash accruals against its maturity debt obligations. The company generated net cash accruals in the range of Rs.6.43-13.26 Crore from FY 2021- 2023 against its maturity repayment obligations in the range of Rs.0.70-1.64 crore in the same tenure. In addition, it is expected to generate sufficient cash accrual in the range of Rs.5.98-8.53 crores against the maturing repayment obligations of Rs.1.81-3.10 crore over the medium term. The working capital management of the company is intensive marked by GCA days of 196 days in FY2023 as against 168 days in FY2022. The average consolidated utilization of the working capital facilities ranged between 30-40 per cent for past 09 months ended December 2023. The current ratio stands at 1.69 times as on March 31, 2023 as against 1.81 times as on 31 March, 2022.

Acuité believes the liquidity position of the company will continue to remain adequate on account of adequate net cash accruals against matured debt obligations over near to medium term.

### **Outlook: Negative**

Acuité has revised the outlook of RDCPL from 'Stable' to 'Negative' due to deterioration in the operating performance of the company reflected by decline in revenue and profitability from operations and elongated working capital cycle. The rating may be downgraded in case of continued moderation in its revenue or working capital elongation impacting the liquidity position of the company. Conversely, the outlook may be revised to 'Stable' if the company sees improvement in its operating performance, working capital management while maintaining its capital structure.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	84.04	105.82
PAT	Rs. Cr.	3.21	9.77
PAT Margin	(%)	3.81	9.23
Total Debt/Tangible Net Worth	Times	0.51	0.47
PBDIT/Interest	Times	3.41	8.84

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Feb 2023	Cash Credit	Long Term	6.00	ACUITE BBB-   Stable (Reaffirmed)
	Secured Overdraft	Long Term	6.00	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	0.25	ACUITE A3 (Reaffirmed)
15 Dec 2021	Secured Overdraft	Long Term	6.00	ACUITE BBB-   Positive (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB-   Positive (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	0.25	ACUITE A3 (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Maharashtra	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.25	ACUITE A3   Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative
HSBC	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	6.00	ACUITE BBB-   Negative   Reaffirmed   Stable to Negative

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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