



SMERA RATINGS LIMITED

Rohan Dyes and Intermediates Limited (RDIL)

Rating Rationale

December 10, 2014

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	5.44*	SMERA BBB-/Stable (upgraded from SMERA BB/Stable)
Cash Credit	3.00	SMERA BBB-/Stable (upgraded from SMERA BB/Stable)
Foreign Bill Discounting	11.00	SMERA A3 (upgraded from SMERA A4+)
Standby Line of Credit	1.00	SMERA A3 (upgraded from SMERA A4+)
EPC/PCFC	6.00	SMERA A3 (upgrade from SMERA A4+)
Letter of Credit	11.31	SMERA A3 (upgraded from SMERA A4+)

*Outstanding amount as on date is Rs.0.16 crore

SMERA has upgraded the bank loan ratings of Rohan Dyes and Intermediates Limited (RDIL) to 'SMERA BBB-/Stable/SMERA A3' from 'SMERA BB/Stable/A4+'. The upgrade reflects substantial improvement in the business risk profile of the company post successful completion of the backward integration project. The ratings continue to draw comfort from the company's long track record of operations, established customer relationships and experienced management. However, the ratings are constrained by the company's exposure to intense competition in the dyestuff industry. The ratings are also constrained by the susceptibility of the company's profit margins to fluctuations in forex rates.

Update

RDIL registered significant improvement in its business risk profile on the back of successful completion of the backward integration project. The company's revenues increased from Rs.62.75 crore in FY2012-13 (refers to financial year, April 01 to March 31) to Rs.115.90 crore in FY2013-14. RDIL's net cash accruals increased from Rs.0.83 crore in FY2012-13 to ~Rs.5.80 crore in FY2013-14. Further, the company reported operating income of Rs.64.68 crore (provisional) and net cash accruals of Rs.4.89 crore (provisional) for the six months ended September 2014. SMERA believes the improvement in RDIL's business profile is sustainable over the medium term. The company has prepaid its term loan to the extent of Rs.5.28 crore. RDIL's interest coverage ratio increased from 2.49 times in FY2012-13 to 7.31 times (provisional) for the period April 2014 to September 2014. The company's leverage (debt-equity ratio) reduced from 1.13 times as on March 31, 2014 to 0.72 times (provisional) as on September 30, 2014.

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RDIL benefits from its experienced management Mr. Radheshyam Agarwal, director of RDIL, has around 35 years of experienced in the dyes industry. Mr. Rohan Agarwal (son of Mr. Radheshyam Agarwal) has around seven years of experience in the company's line of business. RDIL caters to customers across various industries such as textiles, paper and leather products. The company benefits from its established relations with customers based in Europe and Asia.

Outlook: Stable

SMERA believes RDIL will maintain a stable business risk profile over the medium term. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and profit margins while maintaining a comfortable working capital cycle. The outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile.

About the company

RDIL, incorporated in 1992, is an Ahmedabad-based company engaged in manufacturing and export of acid dyes, direct dyes and reactive dyes. RDIL has a dye manufacturing facility (with total installed capacity of 3,600 tonnes per annum) in Vatva, Gujarat. The company has recently commenced production of H-acid (major raw material for manufacturing dyes) in Khambhat, Gujarat.

For FY2013-14, RDIL registered profit after tax (PAT) of Rs.3.74 crore on revenues of Rs.115.90 crore, as compared with PAT of Rs.0.09 crore on revenues of Rs.62.75 crore in FY2012-13. The company's net worth stood at Rs.24.95 crore as on March 31, 2014, as compared with Rs.21.21 crore a year earlier.

Contact List:

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Email: antony.jose@smera.in Web: www.smera.in	Mr. Ashutosh Satsangi Vice President – Operations Tel: +91-22-6714 1107 Email: ashutosh.satsangi@smera.in	Tel: +91-22-6714 1128 Email: ratingdesk@smera.in

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