



SMERA RATINGS LIMITED

Rohan Dyes and Intermediates Limited (RDIL)

*Rating
Rationale*

March 12, 2016

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	5.44	SMERA BBB-/Stable (Withdrawn)
Cash Credit	3.00	SMERA BBB-/Stable (Reaffirmed)
Foreign Bill Discounting	11.00	SMERA A3 (Reaffirmed)
Standby Line of Credit	1.00	SMERA A3 (Withdrawn)
EPC/PCFC	7.00 (enhanced from Rs. 6.00 crore)	SMERA A3 (Reaffirmed)
Letter of Credit	11.00* (reduced from Rs. 11.31 crore)	SMERA A3 (Reaffirmed)

*Includes sub-limit of Bank Guarantee of Rs. 3.00 crore

SMERA has reaffirmed the ratings of 'SMERA BBB-' (read as SMERA triple B minus) and 'SMERA A3' (read as SMERA A three) on the abovementioned bank facilities of Rohan Dyes and Intermediates Limited (RDIL). Also, the long-term rating of 'SMERA BBB-' (read as SMERA triple B minus) on the Rs.5.44 crore loan facility and the short term rating of 'SMERA A3' (read as SMERA A three) on the Rs.1.00 crore standby credit facility has been withdrawn. The outlook is 'Stable'.

The ratings continue to draw comfort from the company's long track record of operations, established customer relationships and experienced management. The ratings also derive comfort from the healthy financial risk position. However, the ratings are constrained by the susceptibility of the profit margins to fluctuations in raw material prices, volatility in forex rates and intense competition in the dyestuff industry.

Update

In FY2014-15, the company reported profit after tax (PAT) of Rs.7.63 crore on operating income of Rs.122.75 crore, as compared to PAT of Rs.3.74 crore on operating income of Rs.115.90 crore in the previous year. The company's revenue has shown marginal growth because of muted demand in the overseas market and high competition from Chinese players. Further, the company has reported operating income of Rs.65.51 crore and net cash accruals of Rs.6.29 crore for the six months ended September, 2015 (provisional). RDIL is expected to report a decline in operating income in FY2015-16 over the previous year. In FY2014-15, the profitability margin increased

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significantly on account of benefits of backward integration coupled with steep rise in average realisation of its end products.

RDIL's financial risk profile continues to remain robust. The term loan has been repaid and the gearing (debt-equity ratio) declined from 0.52 times as on March 31, 2015 to 0.22 times (provisional) as on 30 September, 2015. Further, the interest coverage ratio improved from 9.46 times in FY2014-15 to 13.61 times (provisional) for the period April, 2015 to September, 2015.

RDIL continues to be susceptible to intense competition in the dyestuff industry from domestic and overseas manufacturers. Further, the margins of the company are susceptible to fluctuations in raw material prices and forex.

Outlook: Stable

SMERA believes that the outlook of RDIL will remain stable over the medium term on account of its experienced management and healthy financial risk profile. The company is also expected to sustain the improvement in its financial risk profile over the period in the absence of any large debt-funded capex programme. The outlook will be revised to 'Positive' if the revenue and profitability exceed projections while maintaining efficient working capital. Conversely, the outlook may be revised to 'Negative' in case of worsening demand from the international market and volatility in raw material prices leading to margin contraction.

Rating Sensitivity Factors

- Demand scenario in the international market
- Complying with the latest environmental pollution norms
- Adverse movement in raw material prices and foreign exchange rates

About the Company

RDIL, incorporated in 1992, is an Ahmedabad-based company engaged in the manufacture and export of acid dyes, direct and reactive dyes. Promoted by Mr. Radheshyam Aggarwal and Mr. Rohan Agarwal, the company has a dye and H-acid manufacturing facility with total installed capacity of 3,600 tonnes and 3,840 tonnes per annum respectively.

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*Rating
Rationale***Contact List:**

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