

Press Release

Rohan Dyes and Intermediates Limited (RDIL)

08 July, 2017



Rating Upgrade

| | |
|-------------------------------------|---|
| Total Bank Facilities Rated* | Rs.13.00 Cr. |
| Long Term Rating | SMERA BBB/Stable (Upgraded from SMERA BBB-/Stable) |
| Short Term Rating | SMERA A3+ (Upgraded from SMERA A3) |

*Refer annexure for details

Rating Rationale

SMERA has upgraded the long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) to '**SMERA BBB**' (read as SMERA triple B) and the short term rating of '**SMERA A3**' (read as SMERA A three) to '**SMERA A3+**' (read as SMERA A3 plus) on the above bank facilities of Rohan Dyes and Intermediates Limited (RDIL). The outlook is '**Stable**'.

Rohan Dyes and Intermediates Limited (RDIL), incorporated in 1992, is engaged in the manufacture and export of acid dyes, direct and reactive dyes at Ahmedabad. The installed capacity stands at 3,840 tonnes per annum.

List of key rating drivers and their detailed description:

Strengths

Long track of operations and experienced management: RDIL, established in 1992 by Mr. Radheshyam is supported by his son, Mr Rohan who leads the marketing and finance functions. Both the directors have more than a decades experience in the chemical industry.

Healthy financial risk profile with healthy coverage indicators: RDIL has healthy financial risk profile marked by net worth of Rs. 47.43 crore as on 31 March, 2017 (Provisional) as against Rs. 38.86 crore as on 31 March, 2016. The gearing improved to 0.06 times as on 31 March, 2017 as against 0.16 times as on 31 March, 2016. RDIL has healthy Interest coverage ratio (ICR) which improved to 29.38 times for FY2016-17 as against 17.51 times for FY2015-16. RDIL has healthy ROCE of 27.09 per cent for FY2016-17 (Provisional).

Healthy growth in revenues: RDIL has registered healthy growth in revenues of ~ 30 per cent compared to the previous year. The operating income stood at Rs. 141.55 crore in FY2016-17 (Provisional) as against Rs. 108.52 crore in FY2015-16 and Rs. 112.75 crore in FY2014-15.

Healthy liquidity position: RDIL's has healthy net cash accruals of Rs. 13.07 crore for FY2016-17(Provisional) as against Rs. 9.29 crore for FY2015-16 with no long term debt obligation. The NCA/TD stood at 1.47 times for FY2015-16 as against 0.65 times for FY2014-15. The unencumbered cash and bank balance stood at a healthy Rs 5.40 crore for FY2016-17. The bank limit utilisation has been around 30 per cent for FY2016-17 (Provisional).

Weaknesses

Susceptibility of profitability to volatility in raw material prices and forex rates: The raw materials i.e. H acid, vinyl sulphone and naphthalene account for about 75 per cent of the operating income. These are downstream petrochemical products and therefore vulnerable to volatility in crude oil prices. RDIL procures around 30 per cent of its raw material through imports from Chinese suppliers with the rest from local dye-intermediate suppliers. RDIL maintains inventory level of about three months as against order book of about a month. Any sharp decline in raw material prices may impact operating margins.

Highly competitive and fragmented industry: The company is exposed to intense competition in the industry. High fragmentation limits the pricing flexibility and bargaining power of mid-sized players such as RDIL. Furthermore, growth of the dyestuff industry is largely dependent on the end-user industries such as textile, leather and paper.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of RDIL to arrive at the rating.

Applicable Criteria

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

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 during the period. The outlook may be revised to 'Positive' if the revenue and profitability exceed projections while maintaining working capital efficiency. Conversely, the outlook may be revised to 'Negative' in case of worsening of demand from European countries or volatility in raw material prices leading to margin contraction.

About the Rated Entity: Key financials

For FY2016-17 (Provisional), RDIL reported profit after tax (PAT) of Rs. 8.57 crore on operating income of Rs.141.55 crore as compared to PAT of Rs.6.29 crore on operating income of Rs. 108.52 crore for FY2015-16.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|---------------------------------|------------|---------------------------------------|----------------------------------|
| 12-Mar-2016 | Term Loan | Long Term | 5.44 | SMERA BBB- / Stable (Withdrawn) |
| | Cash Credit | Long Term | 3.00 | SMERA BBB- / Stable (Reaffirmed) |
| | Bill Discounting | Short Term | 11.00 | SMERA A3 (Reaffirmed) |
| | Standby Line of Credit | Short Term | 1.00 | SMERA A3 (Withdrawn) |
| | EPC/PCFC | Short Term | 7.00 (enhanced from Rs. 6.00 cr) | SMERA A3 (Reaffirmed) |
| | Letter Of credit | Short Term | 11.00* (reduced from Rs. 11.31 cr) | SMERA A3 (Reaffirmed) |
| 10-Dec-2014 | Term Loan | Long Term | 5.44 | SMERA BBB- / Stable (Upgraded) |
| | Cash Credit | Long Term | 3.00 | SMERA BBB- / Stable (Upgraded) |
| | Bill Discounting | Short Term | 11.00 | SMERA A3 (Upgraded) |
| | Standby Line of Credit | Short Term | 1.00 | SMERA A3 (Upgraded) |
| | EPC/PCFC | Short Term | 6.00 | SMERA A3 (Upgraded) |
| | Letter Of credit | Short Term | 11.31 | SMERA A3 (Upgraded) |

*Includes sublimit of Bank guarantee of Rs. 3.00 cr

***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 | 0.75 (revised from Rs. 3.00 cr) | SMERA BBB/Stable (Upgrade) |
| Foreign Bill discounting | N.A | N.A | N.A | 4.00 (revised from Rs. 11.00 cr) | SMERA A3+ (Upgrade) |
| EPC/PCFC | N.A | N.A | N.A | 4.00 (revised from Rs. 7.00 cr) | SMERA A3+ (Upgrade) |
| Letter of Credit | N.A | N.A | N.A | 4.00* (revised from Rs. 11.00 cr) | SMERA A3+ (Upgrade) |
| Proposed | N.A | N.A | N.A | 0.25 | SMERA A3+ (Assigned) |

**Includes sublimit of Bank guarantee of Rs. 3.00 cr*

Contacts:

| Analytical | Rating Desk |
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| Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in | Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in |
| Namita Palve, Rating Analyst, Tel: +91-22-6714 1129 Email: namita.palve@smera.in | |

ABOUT SMERA

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