



Press Release
ARIES COLORCHEM PRIVATE LIMITED
April 29, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.00	ACUITE BBB+ Stable Reaffirmed	-
Bank Loan Ratings	5.00	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	45.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating of ‘**ACUITE BBB+**’ (read **ACUITE triple B plus**) and short-term rating of ‘**ACUITE A2**’ (read as **ACUITE A two**) on the Rs.45.00 crore bank facilities of Aries Colorchem Private Limited (ACPL). The outlook is ‘**Stable**’.

Rationale for Rating Reaffirmation

The rating reaffirmation reflects AG’s strong financial risk profile marked by healthy net worth, low gearing and healthy debt protection metrics along with its continuing strong liquidity position. Further, it considers established track record of operations of the group and extensive experience of the management in the dye industry. However, the rating is constrained on account of moderation recorded in the revenue and profitability in FY2024. The revenue declined to Rs.245.84 Cr. in FY2024 from Rs. 271.38 Cr. in FY2023 primarily on account of weak demand levels translating into lower volumes and lower price realisations. Further, the operating profit margin declined to 6.48% in FY2024 against 10.42% in FY2023, however improvement in revenue and profitability is expected in FY2025.

Further, the rating remains constrained on account of group’s intensive nature of working capital operations, exposure to intense competition leading to vulnerability in pricing along with regulatory risk.

About the Company

Aries Colorchem Private Limited (ACPL) was incorporated in 2009 by Mr. Kantilal Ishvarlal Patel. Aries Colorchem Private Limited (ACPL) is engaged in manufacturing of dyes and dye intermediates. The manufacturing unit is located at Dahej SEZ in Bharuch (Gujarat). The company derives revenue majorly through exports to Italy, China, Spain, Argentina and others.

About the Group

Gujarat based Aries Group (AG) constitutes of Aries Colorchem Private Limited (ACPL) incorporated in 2009, Aries Organics Private Limited (AOPL) incorporated in 1995 and Aries Dye Chem Industries (ADCI) incorporated in 1980. Aries group is engaged in manufacturing of synthetic organic dyes and dye intermediates. AG mainly exports to manufacturers and traders of textile and leather industries. The group is promoted by Mr. Kantilal Ishvarlal Patel.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has consolidated the business and financial risk profiles of Aries Colorchem Private Limited (ACPL), Aries Organics Private Limited (AOPL) and Aries Dye Chem Industries (ADCI) together referred to as 'Aries Group' (AG). The consolidation is in view of the common ownership, similar business models of three companies.

Key Rating Drivers

Strengths

Experienced management and improving business risk profile

AG is being managed by Mr. Kantilal Ishvarlal Patel, who has extensive experience of more than two decades in the Dye business. Mr. Kantilal Ishvarlal Patel is well supported by second line of generation, Mr. Arish Kantilal Patel. The extensive experience of the promoters has helped AG to establish healthy relations with reputed clientele in international market as well as in local market. Acuité believes that AG's long operational track record of operations and extensive experience of the management will continue support AG's business risk profile over the medium term.

Strong financial risk profile

AG's financial risk profile continued to remain strong albeit marginal deterioration in FY2024 on account of additional debt undertaken during the year and moderation in operating profitability. The group has strong net worth, low gearing and healthy debt protection metrics. AG's networth stood at Rs. 155.35 Cr. as on March 31, 2024, against Rs.158.38 Cr. as on March 31, 2023. The gearing stood at 0.61 times as on March 31, 2024, against 0.40 times as on March 31, 2023. The TOL/TNW stood at 0.79 times as on March 31, 2024, against 0.53 times as on March 31, 2023. The debt protection metrics moderated yet remained healthy marked by the Interest Coverage Ratio of 8.89 times in FY2024 against 12.59 times in FY2023 and DSCR of 7.27 times in FY2024 against 11.05 times in FY2023. Debt/EBITDA level stood at 5.57 times in FY2024 against 2.19 times in FY2023.

Acuite believes that the financial risk profile of the group will improve over the medium term on account of expected improvement in accruals generation and absence of any major debt funded capex plan.

Weaknesses

Working capital intensive operations

AG's working capital operations are intensive in nature marked by high GCA days of 244 days in FY2024 as compared to 187 days in FY2023. The GCA days are mainly dominated by debtor days and inventory days of 130 and 84 in FY2024 against 86 days and 70 days in FY2023 respectively. The debtor's days are high due to extended credit period being offered to the customers. Further, the group majorly works on cash basis and does not avail longer credit period from its suppliers. The creditors days stood at 47 days in FY2024 as against 30 days in against 57 days in FY2022. However, the bank limit utilization of the group stood moderate for last 6 months ended March 25 at around 39.60%.

Acuite believes that the efficient working capital management will be crucial to the AG in order to maintain a stable credit profile.

Intense competition leading to vulnerability in pricing along with regulatory risk

The group is exposed to intense competition in the industry marked by presence of large number of players. Intense competition limits the pricing flexibility and bargaining power of mid-sized players such as AG. Furthermore, growth of the dyestuff industry is largely dependent on the end user industries such as textile, Chemicals, leather and paper. AG is regulated by the Gujarat Pollution Control Board with regulations regarding manufacture of products such as acid dyes, reactive dyes and dye intermediates and disposal of waste that are hazardous to the environment. Any adverse change in the regulations could affect the AG's business risk profile consequently affecting its credit risk profile.

Acuité believes AG's ability to mitigate such risk and avoid any further deterioration in their operating revenues and profitability margins will remain a key rating monitorable.

Rating Sensitivities

- Sustained growth in operating revenue while improving its profitability.
- Any further elongation in working capital cycle leading to deterioration in liquidity position.

Liquidity Position

Strong

AG has strong liquidity position marked by healthy generation of cash accruals of Rs. 12.41 Cr. in FY2024 against

minimal repayment obligation of Rs.1.27 Cr. during the same period. The cash accruals of the group are estimated to improve further over the medium term, while its repayment obligation will continue to remain nominal during the same period. The group's working capital operations are intensive marked by high GCA days in FY2024 of 244 days, however, the reliance on working capital limits stood moderate with average utilisation of ~39.60% over the past 6 months ending March 2025. The group maintained unencumbered cash and bank balances of Rs.3.21 Cr. and the current ratio stood healthy at 3.48 times as on March 31, 2024, respectively.

Acuite believes that the liquidity of the group is likely to remain strong over the medium term on account of expected improvement in cash accruals generation against nominal repayment obligations and buffer available from the moderately utilised working capital limits

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	245.84	271.38
PAT	Rs. Cr.	2.90	14.66
PAT Margin	(%)	1.18	5.40
Total Debt/Tangible Net Worth	Times	0.61	0.40
PBDIT/Interest	Times	8.89	12.59

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Jan 2024	Letter of Credit	Short Term	5.00	ACUITE A2 (Downgraded from ACUITE A2+)
	PC/PCFC	Long Term	31.90	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Term Loan	Long Term	0.73	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
	Proposed Long Term Bank Facility	Long Term	7.37	ACUITE BBB+ Stable (Downgraded from ACUITE A- Stable)
02 Nov 2022	PC/PCFC	Long Term	31.90	ACUITE A- Stable (Reaffirmed)
	Term Loan	Long Term	0.73	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	7.37	ACUITE A- Stable (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A2+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A2 Reaffirmed
State Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	31.90	Simple	ACUITE BBB+ Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	01 Sep 2024	Not avl. / Not appl.	31 Oct 2030	8.10	Simple	ACUITE BBB+ Stable Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

S. No.	Company Name
1	Aries Colorchem Private Limited
2	Aries Dye Chem Industries
3	Aries Organics Private Limited

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Sanidhya Jain Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

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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