



Rating Rationale

22Mar2019

Rohan Dyes & Intermediates Ltd.

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 13.00 Crores of Rohan Dyes & Intermediates Ltd...

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	8.75	Long Term	BWR BBB (Pronounced as BWR Triple B) Outlook : Stable
Non Fund Based	4.25	Short Term	BWR A3+ (Pronounced as BWR A Three Plus)
Total	13.00	INR Thirteen Crores Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY18, management certified provisional/ unaudited financials for 11MFY19, projections upto FY20, publicly available information and information and clarifications provided by the management.

The ratings factors promoters strong industry experience, benefit of being a part of Ahmedabad based well-known group; “Jindal Worldwide” and strong financial risk profile. The ratings are, however, constrained by stretched liquidity and intense competition in market and risks associated with volatility in the prices of dyestuff and intermediates, and forex rates.

Going further, Company’s ability to improve its operation and profitability, efficient management of working capital, timely repayment of debt obligation will be key rating sensitivities



Description of Key Rating Drivers

Credit Strength :

- **Experienced Promoters:** RDIL is associated with Jindal Worldwide group and promoted by Mr. Radheshyam Agarwal and his son, Mr Rohan. Promoters are having experience of more than a decade in the line of dyes and chemicals. The Company has a long track record in this industry has established market position and build a healthy relationship with clients and suppliers.
- **Strong financial risk profile :** Company TNW is high at Rs. 56.98 Crs on account of accumulated profits of past years. Gearing is low at 0.011x in FY18 and TOL/TNW is 0.85x due to absence of major long term borrowings. Debt protection metrics are comfortable with ISCR and DSCR above 1.50x. Net cash accrual has remained comfortable yet slight decrease from Rs. 14.90 Crs in FY18 to Rs. 12.66 Crs in FY17. The NCA/TD stood at 6.25 times for FY18 as against 6.25 times for FY17.
- **Increasing trend of net sales :** RDIL has achieved the TOI of Rs. 147.33 Crs in FY18 against Rs. 152.08 Crs in FY17, however, there is a small incline in net revenues with 4.44% in FY18 as compare to FY17 on account of excise duty implication of GST.

Credit Risk:

- **Stretched Liquidity position :** The current ratio of the company stood at 1.04 times in FY18 as against 1.19 times in FY17.
- **Exposure to risks associated with volatility in the prices of dyestuff and intermediates, and forex rates:** Prices of key raw materials in dyes, such as H-acid and vinyl sulphone, have witnessed significant fluctuation in the past due to lower supply from China following shutdown of many plants (for environmental reasons), including that of a large player. Gross Profit Margin has decreased from 12.32% to 10.03% and Net Profit Margin from 7.69% to 4.91% in FY17 & FY18 respectively, which happened due to increased operating cost and depreciation. RDIL's limited pricing flexibility, profitability will remain partly susceptible to the aforementioned risks. Ability to manage volatility and sustain profitability remain critical.
- **Highly fragmented and competitive nature of operation:** RDIL's operates in a highly fragmented industry wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers.



Liquidity Profile : The current ratio of the company stood at 1.04 times in FY18 as against 1.19 times in FY17. The working capital cycle of the company has remained stretched on account of extended receivable cycle coupled with high utilization of working capital facilities.

Analytical Approach.

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the **Rohan Dyes & Intermediates Ltd.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Rohan Dyes and Intermediates Ltd. is an ISO 9001:2015 certified company; incorporated in 1989 by Mr. Radheshyam Jindal for manufacturing of Dye Intermediates and Dyestuff. RDIL's two factory plants are situated at GIDC, Vatva, Ahmedabad and Khambhat, Gujarat with a combined capacity of 6000 MT of Dye Intermediates and 3600 MT of Dyestuff.

Company Financial Performance

During FY18, RDIL has reported net operating income of Rs. 145.30 Crs and a net profit of 7.31 Crs against net operating income of Rs. 139.13 Crs and a net profit of 10.86 Crs in FY17. As per management certified provisional financials as on 28th February, 2019, the Company has achieved a total revenue of Rs. 146.15 Crs.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1 2 3	Fund Based: Cash Credit EPC/FBD/PCFC/EBR (Sublimit : Inland Bill discounting)	Long Term	0.75 8.00* (2.00)	BWR BBB (Pronounced as BWR Triple B) Outlook : Stable	Not Rated	Not Rated	Not Rated
4 5 6	Non Fund Based: Letter of Credit Bank Guarantee Credit Exposure Limit	Short Term	4.00 (3.00) 0.25	BWR A3+ (Pronounced as BWR A Three Plus)	Not Rated	Not Rated	Not Rated
Total			13.00	₹ Thirteen Crores Only			

*There is one way interchangeability in Export Packing Credit to Cash credit upto Rs. 4 Crs.

Status of non-cooperation with previous CRA (if applicable)- Not Applicable

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	147.33	152.08
EBITDA	₹ Cr	14.94	17.41
PAT	₹ Cr	7.31	10.86
Tangible Net worth	₹ Cr	56.98	49.72
Total Debt/ Tangible Net worth	Times	0.11	0.05
Current Ratio	Times	1.04	1.19



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



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