

October 30, 2023

Ravi Dyeware Company Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term/short term fund-based/non-fund based	40.0	40.0	[ICRA]A(Stable)/[ICRA]A1; reaffirmed
Long term/short term fund-based - Others	35.0	-	-
Long term/short term unallocated	8.0	43.0	[ICRA]A(Stable)/[ICRA]A1; reaffirmed
Total	83.0	83.0	

*Instrument details are provided in Annexure-I

Rationale

While arriving at the ratings, ICRA has taken a consolidated view of the operational and financial profiles of Ravi Dyeware Company Private Limited (RDCPL) and Siddharth Colorchem Private Limited (SCPL), given their common promoters and the significant operational and financial synergies between them. The consolidated entities include RDCPL, SCPL, and its subsidiaries, Indus Ventures Limited and Waterside Colors Limited (WCL).

The reaffirmation of the ratings reflects the Group's comfortable financial risk profile along with a healthy operating income and profitability. The financial risk profile is characterised by comfortable capital structure, healthy debt coverage indicators and strong liquidity position. While the revenue and operating margins were subdued in FY2023 due to demand headwinds, the overall cash flow from operations remained at a comfortable level. In the current fiscal, the financial performance is likely to remain steady with the revenue and operating margins expected to remain at FY2023 levels though exposed to demand headwinds. The ratings continue to derive comfort from the extensive experience of the Group's promoters and its long track record in the dye manufacturing, coupled with its established and diversified customer base, leading to repeat business.

The ratings, however, continue to be constrained by the working capital intensive nature of operations, intense competition in the global markets from large and reputed players, and the vulnerability of its profitability to the fluctuations in raw material prices and foreign exchange rates to the extent of the Group's unhedged foreign exposure.

The Stable outlook on the [ICRA]A rating reflects ICRA's opinion that the Group shall continue to benefit from its extensive experience in the chemical dye industry. Healthy capacity utilisation levels and limited dependence on external borrowings shall help the company maintain the scale and robust debt coverage metrics in the medium term.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and established track record; operational synergies from Group concerns – The Singhania Group, through its flagship entities, RDCPL and SCPL, has been manufacturing and trading dyes and dyestuffs for the last seven decades. It has developed an established track record in the chemical dye business through the vast experience of its promoters. The Group's operations are split across RDCPL and SCPL, along with its wholly-owned step-down subsidiary, WCL, in the UK, which is involved in the same business, resulting in significant operational synergies at the Group level.

Diversified and reputed customer base providing repeat orders - The Group has a reputed customer base, which includes large multinational corporations in Europe and Asia. Its customer base is well diversified, and the Group is able to garner repeat orders from its key customers YoY due to healthy relationships with them.

Group's healthy profitability and cash accruals; comfortable capital structure and strong debt coverage indicators - While the revenue and operating margins were subdued in FY2023 due to demand headwinds, the overall cash flow from operations remained at a comfortable level. In the current fiscal, the financial performance is expected to remain steady with the revenue and operating margins likely to be maintained at the FY2023 levels though exposed to demand headwinds. The capital structure remains comfortable and the debt coverage indicators are healthy, given its low dependence on borrowings.

Credit challenges

Profitability exposed to fluctuations in raw material prices and foreign exchange rates – The key raw materials for the company are crude oil derivatives, such as benzene, toluene, xylene, and naphthalene products. SCPL's operations and profitability are vulnerable to any adverse fluctuation in raw material prices, mainly crude oil. Further, apart from the natural hedge from exports and import purchases, the Group hedges its net exposure by way of forward cover, exposing the profitability to currency fluctuations for its unhedged exposure. Further, the manufacturing operations are exposed to Government regulations related to pollution norms. The company remains vulnerable to increased regulatory scrutiny related to pollution norms, which remains a sensitivity factor.

Competition in the market – There are numerous players globally operating in the business. This leads to stiff competition in the market and exerts pricing pressure on the Group. However, the entry barriers in the industry, in terms of quality, chemical usage, pollution control and approval, coupled with its preferred supplier status with the end-user industries, provide it with a competitive advantage.

Liquidity position: Strong

At the consolidated level, the Group does not have any long-term debt on its books as on March 31, 2023; and hence, there are no scheduled repayments. Further, it does not have any major debt-funded capacity expansion plans in the near to medium term. Its liquidity position remained strong, supported by healthy free cash and bank balance of ~ Rs. 44 crore and strong investments as on March 31, 2023. The working capital utilisation remained moderate with average utilisation of ~70% between September 2022 and August 2023. The fund flow from operations remained healthy in FY2023.

Rating sensitivities

Positive factors – ICRA may upgrade the ratings if there is a sustained increase in the scale of operations along with sustained improvement in the profitability metrics and working capital cycle.

Negative factors – Pressure on the ratings could arise if a weakening of sales or moderation in profitability margins leads to lower-than-anticipated cash accruals. A stretch in the working capital cycle, or a major debt-funded capex impacting its liquidity position may also trigger a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in Chemical industry
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the consolidated financials of RDCPL and SCPL, along with its wholly-owned subsidiary, Indus Ventures Limited, and step-down subsidiary, WCL

About the company

RDCPL was incorporated in 1947 as Ravi Dye Chem and subsequently converted into a private limited company in 1997. It manufactures acid dyes, disperse dyes, solvent dyes and speciality dyes mainly for the leather, paper and textile industries. The company's manufacturing facility is at Taloja in Maharashtra, with an installed production capacity of 11,500 metric tonnes per annum. It exports over 60% of its total production to companies in Europe, North America, Latin America and Asia. It also owns a 15% equity stake in SCPL.

Key financial indicators

Consolidated	FY2022	FY2023
Operating income	580.6	562.7
OPBDIT/OI	12.9%	10.2%
PAT/OI	10.9%	10.0%
Total outside liabilities/Tangible net worth (times)	0.5	0.3
Total debt/OPBDIT (times)	1.0	1.1
Interest coverage (times)	18.5	16.9

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amounts in Rs. crore

Source: Company, ICRA Research; All ratios as per ICRA's calculations.

Status of non-cooperation with previous CRA: As per CRISIL's press release dated August 9, 2023, based on the best available or limited or dated information, the ratings on bank facilities of RDCPL continues to be 'CRISIL B+/Stable/CRISIL A4 ISSUER NOT COOPERATING'.

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)				Chronology of rating history for the past 3 years	
		Amount rated (Rs. crore)	Amount outstanding (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				October 30, 2023	July 29, 2022	Apr 7, 2021	-
1 Fund based	Long term /Short term	-	-		[ICRA]A(Stable)/ [ICRA]A1	[ICRA]A(Stable)/ [ICRA]A1	-
2 Non-fund based	Short term	-	-	-	-	[ICRA]A1	-
3 Fund based/non-fund Based	Long term /short term	40.0	-	[ICRA]A(Stable)/ [ICRA]A1	[ICRA]A(Stable)/ [ICRA]A1	-	-
4 Unallocated	Long term / short term	43.0	-	[ICRA]A(Stable)/ [ICRA]A1	[ICRA]A(Stable)/ [ICRA]A1	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based/non-fund based limits	Simple
Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund based/ non-fund based	NA	NA	NA	40.0	[ICRA]A(Stable)/ [ICRA]A1
NA	Unallocated	NA	NA	NA	43.0	[ICRA]A(Stable)/ [ICRA]A1

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company name	RDCPL Ownership	Consolidation Approach
Ravi Dyeware Company Private Limited	100% (Rated entity)	Full Consolidation
Siddharth Colorchem Private Limited	15%	Full Consolidation
Indus Ventures Limited*	-	Full Consolidation
Waterside Colors Limited^	-	Full Consolidation

* wholly-owned subsidiary and ^step-down subsidiary of SCPL

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