

August 27, 2024

Radiant Indus Chem Pvt. Ltd.: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund-based – Cash credit	12.00	12.00	[ICRA]BBB (Stable); reaffirmed
Long term- Fund-based- Term loan	10.05	16.37	[ICRA]BBB (Stable); reaffirmed & assigned for the enhanced amount
Short term- Fund-based- Others	0.50	0.50	[ICRA]A3+; reaffirmed
Short term- Non-fund based - Others	0.40	0.40	[ICRA]A3+; reaffirmed
Total	22.95	29.27	

*Instrument details are provided in Annexure-I

Rationale

The ratings assigned to the bank lines of Radiant Indus Chem Pvt. Ltd (RICPL/the company) factor in the long and established track record of the company in the chemicals manufacturing and food business, along with its healthy liquidity and credit profile. The company's presence in the chemicals business as well as food business with unrelated market dynamics provides it the benefits of diversification.

ICRA notes the significant moderation in oxalic acid prices in YTD FY2025. The outlook for oxalic acid prices remains range-bound around the current levels, which would result in a significant moderation in the profitability of the chemicals segment. However, the growing scale of the food division and the healthy margins in the segment will provide cushion against the moderation in the profitability of the chemicals segment. ICRA expects the company's coverage metrics to remain comfortable with modest debt addition made for capacity expansion in the food division. Further, the ratings continue to draw strength from the healthy liquidity maintained by the company, backed by adequate free cash and bank balances, liquid mutual funds and undrawn working capital limits.

The ratings remain constrained by the company's modest scale of operations and the competition from established players in the food industry. The margins remain modest as the food industry is highly competitive and fragmented. The ratings are also constrained by the cyclical nature in the chemicals division and the competition from China, which is one of the largest producers of oxalic acid globally. Additionally, as the company uses sugar as the key raw material to produce oxalic acid, the profitability remains exposed to the volatility in sugar prices which in turn are vulnerable to agro-climatic risks and regulatory actions.

The Stable outlook on the long-term rating reflects ICRA's opinion that RICPL's credit profile will continue to be Stable, backed by comfortable coverage indicators and healthy liquidity profile.

Key rating drivers and their description

Credit strengths

Established track record in the chemicals and food business aiding growing scale of operations - RICPL has been a key player in the chemicals business over the past 36 years, catering to the Indian market, and the promoters have a vast experience of around 55 years. The extensive experience of the promoters has helped the company establish strong relationships with its customers as well as suppliers. RICPL has also established its food business in FY2009 and has ramped up the food business at a healthy pace.

Presence in two business verticals provides some comfort against risks in any one segment – RICPL operates two businesses – chemicals and food processing. It caters to clients across various sectors, such as pharma, textiles, leather, food and food products. Its presence in two business verticals provides cushion against a downturn in a particular industry.

Healthy financial risk profile – The company's capital structure has remained healthy, reflected in a gearing and leverage ratio of 0.1 times as on March 31, 2024 (Provisional), given the continuous accretion to the reserves and the modest debt levels. The company's healthy profit margin profile and its limited reliance on external debt has resulted in comfortable coverage indicators, with an interest coverage ratio of 42.0 times and DSCR of 7.6 times as on March 31, 2024 (Provisional).

Healthy liquidity profile supported by robust cash and cash equivalents - RICPL's liquidity position is healthy on account of healthy cash accrual generation, resulting in free cash and bank balances and liquid investments of ~Rs 22.7 crore as on March 31, 2024 (Prov). The company has modest debt repayment obligations lined over the near to medium term and the cushion in working capital facilities is further expected to support its healthy liquidity position.

Credit challenges

Modest scale of operations, competition from established players in food processing division – RICPL's scale of operations has remained moderate, reflected in a revenue of ~Rs. 234 crores (net of GST) in FY2024 (Provisional). The revenue from the chemicals division is expected to moderate in FY2025 because of the moderation in oxalic acid prices and competition from China. This will be partly offset by the revenue growth in the food segment, supported by the recently expanded capacity. Going forward, ICRA expects RICPL's revenue to grow at a steady pace on the back of the food division even as the chemical division's revenue is expected to remain largely stagnant amid the optimally utilised capacity and the moderation in prices over the last couple of years.

Profitability in chemicals division susceptible to competition from China – The chemicals division produces oxalic acid and the prices remain susceptible to the supplies from China. As seen in FY2022 and FY2023, oxalic acid prices remained elevated because of low supplies from China amid the Covid-19 restrictions. However, the prices have corrected sharply with the resumption of supplies from China in FY2024. Additionally, as the company uses sugar as the raw material to produce oxalic acid, the profitability remains exposed to sugar prices which are again vulnerable to agro-climatic conditions and the regulatory actions of the Govt.

Moderate client concentration risk in chemicals division – RICPL sells chemicals primarily to industries such as textile, pharmaceutical and leather. Majority of the sales are routed through distributors and the company supplies directly in the case of government contracts. RICPL has moderate client concentration in the chemicals division with the top five clients constituting 35-40% of the sales in the previous fiscals. The client concentration in food processing is comparatively low.

Stringent regulatory requirements – The Indian food processing industry is governed by stringent regulatory norms under the jurisdiction of different ministries and departments governing food safety and packaging. Further, oxalic acid in its pure form is very toxic and corrosive in nature and, hence, the company's operations remain vulnerable to any changes in the regulatory framework impacting the industry.

Liquidity position: Adequate

RICPL's liquidity position remains strong with healthy operating cash flows, supported by increase in the scale of operations and sufficient cushion available in the working capital limits. The average utilisation of the working capital limits remained low at around 22% of the sanctioned limits in the last 12-month period ended March 2024. The company's liquidity position draws comfort from free cash and bank balances and liquid investments of ~Rs. 22.7 crore as on March 31, 2024 (Prov) and modest debt repayment obligations lined up over the near to medium term.

Rating sensitivities

Positive factors – ICRA is likely to upgrade the ratings if RICPL demonstrates significant revenue growth and improvement in its profitability on a sustained basis while maintaining comfortable credit metrics.

Negative factors – Pressure on RICPL's ratings could arise if the revenue and profitability margins show a sustained deterioration or the company incurs major debt-funded capex, resulting in a moderation of the liquidity, capitalisation and coverage indicators on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating methodology for entities in Chemicals
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the company's standalone financial profile

About the company

Radiant Indus Chem Private Limited was incorporated in 1982 by Mr. Asa Singh. At present, his sons - Mr. Animesh Singh and Mr. Sandeep Singh - are looking after the company's operations. RICPL is engaged in the manufacturing of oxalic acid and sodium nitrite (by-product of oxalic acid manufacturing) and processed food items such as jam, mayonnaise, sauce, pickles, crushes, syrups and vegetable paste. The company operates at a capacity of 13,500 TPA for oxalic acid, 2,500 TPA for sodium nitrite and 30,000 TPA for the food processing business.

Key financial indicators (audited)

Radiant Indus Chem Private Limited	FY2023	FY2024*
Operating income	227.1	234.1
PAT	21.8	14.9
OPBDIT/OI	15.6%	12.1%
PAT/OI	9.6%	6.4%
Total outside liabilities/Tangible net worth (times)	0.6	0.5
Total debt/OPBDIT (times)	0.2	0.3
Interest coverage (times)	40.2	42.0

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	
			Aug 27, 2024	June 02, 2023	June 14, 2022	Jan 17, 2022	
1 Fund based – Cash credit	Long Term	12.00	[ICRA]BBB(Stable)	[ICRA]BBB(Stable)	[ICRA]BBB-(Stable)	[ICRA]BB+(Positive)	
2 Fund based – Term loan	Long Term	16.37	[ICRA]BBB(Stable)	[ICRA]BBB(Stable)	[ICRA]BBB-(Stable)	[ICRA]BB+(Positive)	
3 Fund based- Cash credit	Short Term	-	-	-	[ICRA] A3	[ICRA] A4+	
4 Fund based- Others	Short Term	0.50	[ICRA] A3+	[ICRA] A3+	-	-	
5 Non-fund based- Others	Short Term	0.40	[ICRA] A3+	[ICRA] A3+	[ICRA] A3	[ICRA] A4+	

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based – Cash credit	Simple
Fund based – Term loan	Simple
Fund based – Others	Simple
Non-fund based- Others	Very Simple

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	Long term - Fund based- Cash credit	-	-	-	12.00	[ICRA]BBB (Stable)
NA	Long term - Fund based- Term loan	FY2018- FY2022	7%-9%	FY2026- FY2027	16.37	[ICRA]BBB (Stable)
NA	Short term- Fund-based- Others	-	-	-	0.50	[ICRA]A3+
NA	Short term-Non-fund based - Others	-	-	-	0.40	[ICRA]A3+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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