January 23, 2025

Ravi Dyeware Company Private Limited: Ratings reaffirmed; outlook revised to Positive

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	40.00	55.00	[ICRA]A(Positive)/[ICRA]A1; reaffirmed and outlook revised to Positive from Stable
Long term/Short term Unallocated limits	43.0	28.00	[ICRA]A(Positive)/[ICRA]A1; reaffirmed and outlook revised to Positive from Stable
Total	**83.00**	**83.00**	

**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 change in the outlook to Positive factors in the Group's healthy earnings in FY2024 and H1 FY2025 and the likely sustenance of same, going forward. The improvement in earnings supported the financial risk profile, reflected in the improved debt coverage metrics and healthy cash and bank balances and investments. Further, the outlook underlines ICRA's expectation that the entity's incremental capex, which will help expand the product portfolio and also result in cost savings, will be funded in a manner that it is able to durably maintain its comfortable debt protection metrics. The ratings continue to derive comfort from the extensive experience of the Group's promoters and its long track record in dye manufacturing, coupled with its established customer base, leading to repeat business.

The ratings, however, continue to be constrained by the working capital intensive 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.

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.

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 - The improvement in earnings in FY2024 supported the financial risk profile, reflected in the improved debt coverage metrics and healthy cash and bank balances and investments. Further, the earnings remained healthy in H1FY2025. Going forward, the healthy earnings and growth in operating income is likely to be driven by the Group's expanding geographical reach and additional product launches. The capital structure remained comfortable, 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. 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 on pollution, 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, 2024, 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 and strong investments as on March 31, 2024. The working capital utilisation remained moderate with average utilisation of ~60% between August 2023 and October 2024.

Rating sensitivities

Positive factors – ICRA may upgrade the ratings if there is a sustained earnings growth along with comfortable debt coverage indicators and liquidity position.

Negative factors– Pressure on the ratings could arise if there is a sustained weakening of earnings, resulting in a deterioration of the debt coverage indicators. 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	Chemicals Corporate Credit Rating Methodology
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 (audited)

Consolidated	FY2023	FY2024
Operating income	562.7	500.5
OPBDIT/OI	10.2%	14.8%
PAT/OI	10.0%	12.6%
Total outside liabilities/Tangible net worth (times)	0.3	0.3
Total debt/OPBDIT (times)	1.1	0.8
Interest coverage (times)	16.9	15.5

Source: Company, ICRA Research; 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: As per CRISIL's press release dated October 22, 2024, based on the best available or limited or dated information, the ratings on the bank facilities of RDCPL continue to be CRISILB+/Stable/CRISILA4 Issuer not cooperating.

Any other information: None

Rating history for past three years

	Current (FY2025)				Chronology of rating history for the past 3 years					
			FY2025		FY2024		FY2023		FY2022	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Fund based/Non-fund based	Long term/ Short term	55.00	Jan 23, 2025	[ICRA]A (Positive)/ [ICRA]A1	Oct 30, 2023	[ICRA]A (Stable)/ [ICRA]A1	Jul 29, 2022	[ICRA]A (Stable)/ [ICRA]A1	Apr 07, 2021	-
Unallocated limits	Long term/ Short term	28.00	Jan 23, 2025	[ICRA]A (Positive)/ [ICRA]A1	Oct 30, 2023	[ICRA]A (Stable)/ [ICRA]A1	Jul 29, 2022	[ICRA]A (Stable)/ [ICRA]A1	Apr 07, 2021	
Fund-based	Long term/ Short term	-	-	-	Oct 30, 2023	-	Jul 29, 2022	[ICRA]A (Stable)/ [ICRA]A1	Apr 07, 2021	[ICRA]A (Stable)/ [ICRA]A1
Non-fund based	Short term	-	-	-	Oct 30, 2023	-	Jul 29, 2022	-	Apr 07, 2021	[ICRA]A1

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/Short term – Fund-based/Non-fund based	Simple
Long term/Short term unallocated limits	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	**Long term/Short term – Fund-based/Non-fund based**	NA	NA	NA	55.00	[ICRA]A (Positive)/ [ICRA]A1
NA	**Long term/Short term unallocated limits**	NA	NA	NA	28.00	[ICRA]A (Positive)/ [ICRA]A1

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation approach
Ravi Dyeware Company Private Limited	100.00% (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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