

June 20, 2024^(Revised)

R Nandlal Sons Private Limited: [ICRA]BBB- (Stable)/[ICRA]A3 assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term / short term-others-fund based/non fund based	130.00	[ICRA]BBB- (Stable)/[ICRA]A3; Assigned
Total	130.00	

*Instrument details are provided in Annexure-1

Rationale

To arrive at the ratings, ICRA has undertaken a consolidated view of R R Innovative Private Limited (RRIPL), its wholly owned subsidiaries and Group entity, R Nandlal and Sons Private Limited (henceforth referred to as the RR Group), due to the management, operational and financial linkages among these entities.

The assigned ratings factor in the established presence of RR Group in the trading and distribution of chemicals with operations spanning across the entire country, wide product portfolio, diversified customer base and established relationship with suppliers. ICRA also factors in the established presence of the key principals like Gujarat Alkalies and Chemicals Limited (GACL), Gujarat Narmada Valley Fertilizers & Chemicals Limited (GNFC), etc and company's strong relations with these. The company also has back-to-back arrangements for some part of its business which insulates it from the inventory risk. Further, ICRA also takes into account the diversification into manufacturing of a few chemicals through its subsidiary, although the proportion of the same to the total revenues and profits remain small.

The ratings are, however, constrained by intense competition in the industry and limited value additive nature of operations which keeps the profitability moderate. Other constraining factors include high dependence on working capital funding to support revenue growth and elongated working capital intensity and the susceptibility of its margins to steep fluctuations in raw material prices and foreign currency rates. Higher reliance on external debt and moderate profitability has translated into weak debt protection metrics as reflected by interest coverage of around 2x and TOL/TNW of more than 2x.

The stable outlook on the rating reflects ICRA's opinion that the group will be able to generate comfortable cash flows on the back of its status as a reputed distributor of some renowned chemical manufacturers and its long-standing presence in the industry.

Key rating drivers and their description

Credit strengths

Established track record in chemical trading in India- RR Group has a track record of operations over six decades and the promoters have extensive experience in the chemical trading business, which gives it a competitive advantage in the industry.

Wide product portfolio, diversified customer base and established relationship with suppliers- The Group caters to reputed customers in India, while RRIPL's subsidiary – Radiant Chemtrade DMCC caters to international customers in Middle East. The Group's established relationship with diversified supplier base mitigates the business risks and low customer concentration mitigates any counterparty credit risk. The company caters to both end-user industries and other traders.

Credit challenges

Intense competition and limited value additive nature of operations translates into moderate profitability- The RR Group operates in a highly competitive environment, comprising organised and unorganised players, limiting its pricing flexibility. This, coupled with the low value-added nature of the trading operations, results in thin margins. However, a favourable shift in product/customer mix partly mitigates the impact.

Vulnerability of profitability to fluctuation of product prices and forex rates- The Group's operations remain susceptible to the volatility in product prices and forex rate fluctuations. The group witnessed significant moderation in profitability in FY2024 amid softening chemical prices. The risk is partly mitigated by a lower share of direct imports.

Moderate debt coverage metrics- The Group's financial profile is characterized by moderated debt coverage metrics on the back of low margins and elevated working capital intensity to support revenue growth, which has kept the interest coverage ratio around 2x and the same is likely to remain in similar range going forward.

Liquidity position: Adequate

The consolidated liquidity position is adequate. The consolidated average working capital utilization was around 50-60% of the sanctioned working capital limits in the last 12 months ended March 2024. The Group has a capex plan of around Rs. 31 crore over the next three years, which is expected to be partially debt funded. However, the liquidity is expected to be adequate on the back of comfortable cash accruals.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the RR Group demonstrates a sustained improvement in operating profitability along with improvement in the liquidity and working capital intensity.

Negative factors – Pressure on the ratings could arise if the Group demonstrates a sustained decline in revenue and profitability, or a stretch in the working capital intensity weakens its liquidity profile.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered consolidated view of R R Innovative Private Limited (RRIPL) (including its subsidiaries- Alkimia Pharma-Chem Private Limited and Radiant Chemtrade DMCC) and its Group company- R Nandlal and Sons Private Limited due to the common promoters and the management, operational and financial linkages. (The entities are enlisted in Annexure-2)

About the Company

R Nandlal and Sons Private Limited, formerly R Nandlal and Sons, is engaged in the business of trading of chemicals. It traces its origin to a partnership started by Mr. Rajnikant Gadhia in 1940s with operations spanning across the entire country and chemicals procured from both domestic and international players to cater to customers in different region. However, in order to improve operational efficiencies, the management decided to dissolve the partnership and the name was changed to R Nandlal and Sons Private Limited in 2023.

About the Group

R R Group is a generational family business started in 1940s and is involved in wholesale and distribution of chemical raw materials and solvents. It is headquartered in Mumbai and its offices as well as warehouses are in Dubai, Gujarat, Hyderabad, Vizag, catering to pharmaceutical, agrochemical, paint and coating, Water Treatment, adhesives, resin, and an array of industries.

In 1972, the business was divided between the 7 brothers and R Nandlal was divided into 7 companies by the same trade name R Nandlal followed by some suffix to differentiate between the entities. Then in 1988, a separate entity was established to avoid confusion between the customers, under the name of RR Enterprise while R Nandlal continued to be in operations. RR enterprise was a partnership firm between three brothers, which in 2012 was converted into RR Innovative Private Limited. R Nandlal and sons was changed to R Nandlal and Sons Private Limited in 2023. All the chemical related business activities are carried out in RR Innovative Private Limited. And one activity in R Nandlal and Sons Private Limited.

Of the other 6 factions, only 1 is continuing the chemicals business under the name Balaji Tradechem Private Limited, while for the other 5, the next generations did not continue the same.

Key financial indicators

	RNS Standalone		RR Group*	
RNS	FY2023	FY2024 Prov	FY2023	FY2024 Prov
Operating income (Rs. crore)	452.7	295.1	2020.3	2024.7
PAT (Rs. crore)	5.2	3.4	39.3	27.0
OPBDIT/OI (%)	2.6%	2.2%	3.4%	3.1%
PAT/OI (%)	1.1%	1.2%	1.8%	1.3%
Total outside liabilities/Tangible net worth (times)	3.5	47.6	2.3	2.4
Total debt/OPBDIT (times)	5.2	14.9	5.0	7.4
Interest coverage (times)	2.6	1.8	2.9	2.1

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; ROCE: PBIT/Avg (Total debt + Tangible net worth + Deferred tax liability - Capital work in progress); DSCR: (PBIT + Mat credit entitlements - Fair value gains through P&L - Non-cash extraordinary gain/loss)/(Interest + Repayments made during the year)

* As per ICRA calculations

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. Crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)				Chronology of rating history for the past 3 years		
	Type	Amount Rated (Rs Crore)	Outstanding Amount as on March 31, 2024 (Rs Crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				June 20, 2024			
Long term / short term-others-fund based/non fund based	Long Term/Short Term	130.00	-	[ICRA]BBB-(Stable)/[ICRA]A3	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Short/long term fund/non fund based- Others	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 a firm'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/Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Short/long term fund/non fund based- Others	NA	NA	NA	130.00	[ICRA]BBB-(Stable)/[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

Company Name	RR IPL Ownership	Consolidation Approach
RR Innovative Private Limited	100.00%	Full Consolidation
Alkimia Pharma-Chem Private Limited	100.00%	Full Consolidation
Radiant Chemtrade DMCC	100.00%	Full Consolidation
R Nandlal Sons Private Limited	Common Promoters	Full Consolidation

Corrigendum:

Document dated June 20, 2024, has been corrected with a revision as detailed below:

Revisions on page number 2 under “Analytical Approach”. Typographical errors corrected in the Rating methodology segment.

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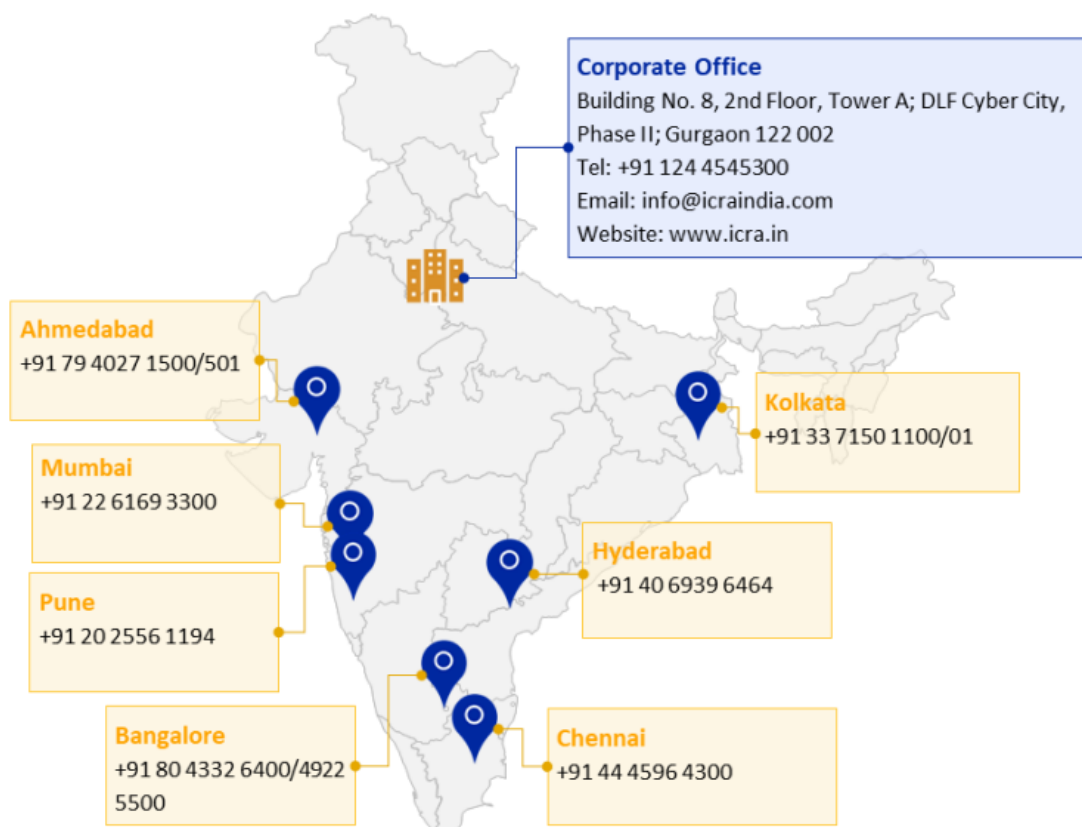


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