Roha Dye Chem Private Limited

May 20 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	463.82 (Enhanced from 309.88)	CARE A; Stable (Single A; Outlook: Stable)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE BBB; Stable; (Triple B; Outlook: Stable)
Long Term / Short Term Bank Facilities	200.00 (Enhanced from 135.00)	CARE A; Stable / CARE A1 (Single A; Outlook: Stable/ A One)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE BBB; Stable / CARE A3+; (Triple B; Outlook: Stable / A Three Plus)
Short Term Bank Facilities	25.00 (Reduced from 45.00)	CARE A1 (A One)	Rating removed from ISSUER NOT COOPERATING category and Revised from CARE A3+; (A Three Plus)
Total Bank Facilities	**688.82 (Rs. Six Hundred Eighty-Eight Crore and Eighty-Two Lakhs Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Roha Dyechem Pvt. Ltd. (RDPL) factors in the improvement in operating performance in FY21 (provisional results) as indicated by stable revenue growth, higher operating margins and improved return on capital employed. The ratings also takes cognizance of completion of phase -1 of the capex in Dahej (comprising ~30% of the proposed capacity) ahead of the envisaged completion date which will generate cash flows before commencement of debt repayment. Overall gearing and debt coverage indicators continue to remain healthy despite ongoing debt funded capex. CARE believes that going forward, increasing cash accruals from the food colour and pigments division coupled with stable cash generation from the solar division and in absence of any significant debt funded capex, shall keep the gearing and coverage indicators at comfortable levels.

The ratings continue to factor in the vast experienced of the promoters, the company's strong market position in the food color market domestically and well diversified revenue profile. The ratings also factor in stable cash flows from power division owing to long term PPA's in place with most of its plants, albeit the payments in wind segment continue to remain delayed.

The above ratings strengths are however constrained by RDPL's high exposure to other related entities in the group in the form of loans and advances and corporate guarantees extended to them, long operating cycle leading to working capital intensive nature of operations and exposure of the profit margins to forex fluctuation risk.

Rating Sensitivities:
Positive Factors:

- Improvement in total debt to GCA below 2.00x on a sustained basis.
- Improvement in ROCE over 22% on a sustained basis

Negative Factors:

- Decline in ROCE below 11% on a sustained basis.
- Any large debt funded capex or organic acquisition/significant cost overrun thereby deteriorating in overall gearing over 1.00x on a sustained basis.
- Significant increase in exposure in other related entities beyond the existing levels.

Detailed description of the key rating drivers
Key Rating Strengths
Vast experience of the promoters in the synthetic color segment

RDPL is promoted by Mr. Ramakant J Tibrewala along with Mr Shrikant J. Tibrewala. The promoters of the company have experience of more than four decades in the group's flagship synthetic color business. Promoters of the company are actively involved in managing the business. Long experience of the promoters helps the company to timely adoption of changing market dynamics. Moreover, the promoters of the company are assisted by wide range of professionals, with different areas of expertise for handling day to day operations of the company.

Strong market position of the company in the synthetic food color market

RDPL has established itself as one of the leading players in the synthetic color manufacturing business in domestic market and globally as well. RDPL's market share in the global food colour industry is around 30-35% and in the domestic market it is one of the leading players in the organized segment. The company has global presence through its subsidiaries and branches present in 24 countries and manufacturing facilities present in 13 countries. The company supplies its products to some of the world's largest players in the food and beverages such as Unilever and Nestle etc.

Well diversified revenue profile with strong global presence and large product portfolio

RDPL's revenue profile includes around ~95% of sales coming from color segment and balance 5% of the sales coming from renewable energy segment. Out of the total food colour sales, 20% is sold within India and 80% to the rest of the world. The company's core strength lies in its food colour division business with operations spread across multiple countries through its subsidiaries and branches in large number of countries which include USA, U.K, Indonesian, Russia, Thailand, Vietnam, Australia, etc.

Furthermore, given the vast years of operations the company has been consistently expanding its product portfolio through in-house research as well as manufacturing technologies acquired through inorganic expansion. RDPL's large product portfolio helps the company to meet diverse requirements of its large clientele base. Wide geographical reach, diversified product portfolio, and diversified user industries helps RDPL to reduce the revenue volatility arising out of slowdown in any particular industries or geographies.

Stable cash flows from power division, albeit, payments from wind power payments have been delayed in the past

The company's renewable energy division continued to post stable operating performance, largely due to stable performance by solar division with average PLF of around 22% for Gujarat solar plant (25 MW) and around 25% for Rajasthan Solar plant (25 MW). RDPL benefits from long term supply contract with Gujarat Urjas Vikas Nigam Limited (GUVNL; rated CARE AA-;Stable/CARE A1+) and Rajasthan Renewable Energy Corporation Limited (RRECL) respectively. Long-term supply contract helps the company to earn stable operating income from its power division.

In case of windmill division, PLF continues to be volatile. For the Maharashtra plant, the average PLF is 22% but for the Madhya Pradesh plant, it is 14% owing to its unfavourable location. Further, the company is still under negotiation for rate for its 18 MW windmill in Rajasthan, as such no revenue has been booked from this unit from FY20 onwards. For the Maharashtra unit as well the rate has been reduced from Rs. 5.15 per unit to Rs. 2.52 per unit with effect from April 1, 2020, resulting in a decline in revenue from the windmill segment. Moreover, payment for the power supplied by windmills have been delayed in the past resulting in significant receivables from the same. Nevertheless, payments from the Maharashtra windmill and MP windmill have been streamlined as of now.

Stable performance in FY21 despite restrictions due to CoVID-19, topline growth to be driven by pigment segment going ahead

Driven by healthy growth in revenue in the colour segment, the company's total operating income grew at a CAGR of 15% over the period FY16 to FY20. TOI remained stable in FY21 despite several restrictions across the world imposed on account of CoVID -19. Capacity utilization (for the Indian operations) declined marginally from 90% in FY20 to 88% in FY21 on account of the nationwide lockdown in the month of April for a few days. Revenue from the colour segment accounts for 95% of the total revenue with the balance coming from the power (solar and wind) segment. However, despite the low share of the power segment in overall revenue, its share in PBILDT of the company remains high at around ~24%. This is on account of high operating profitability of the power segment which ranges between 88%-90%. Further, increase in the share of higher margin products in the revenue mix and lower raw material prices have led to a significant improvement in the operating profitability of the colour division which in turn has led to an improvement in the overall operating margins of the company for FY21. CARE believes that apart from slight decline in margins owing to increase in the share of pigments in the overall revenue mix, the operating margins shall continue to remain healthy going forward.

Healthy financial risk profile

Despite debt funded capex being carried out by RDPL, overall gearing continued to remain healthy at 0.65x as on March 31, 2021 (provisional numbers). However, adjusted gearing (arrived at after incorporating support to other related entities in the group) is slightly elevated at 0.88x as on March 31, 2021. Nevertheless, the gearing still remains comfortable, however, any more support extended to group entities, impacting debt metrics shall remain key rating sensitivities.

The debt profile of RDPL comprises of term loans (rupee term loans and foreign currency loans) availed for the expansion in the power segment, ongoing expansion at Dahej (colour division), loans availed by the subsidiaries for their manufacturing units, working capital borrowings and loans from promoters. Promoter loans are interest free and have been maintained in the company since infusion.
The company has recently availed two ECB loans aggregating Rs. 270 crore (35 mn Euro) to part fund the expansion at Dahej of which Rs. 173 crore have been disbursed till March 31, 2021 and balance to be disbursed in the current financial year. The loan has a moratorium period of 3 years since first drawdown and is repayable in ballooning half yearly instalments over a period of 5 years starting from FY23. Interest coverage improved marginally to 5.93x in FY21 as against 5.46x in FY20 on the back of improved operating margins.

Capex implementation ahead of schedule likely to generate revenues from FY22 itself
RDPL is setting up a green field manufacturing plant at Dahej (SEZ) for manufacturing of Phthalo, Azo pigments & Food dyes. The plant is expected to have manufacturing capacity of 13,300 MTPA at a total cost of Rs.360 crore to be funded through debt of Rs. 270 crore and balance equity/ internal accruals. Till March 31, 2021 the company had spent Rs. 296 crore towards the project which was funded using debt of Rs. 173 crore and balance internal accruals. Progress of the project is as per schedule and it is in its last leg of completion with 82% of the project cost already been incurred thus, reducing project risks to some extent.
Earlier, the entire project was expected to commence operations from the end of March 2022. However, the management has decided to implement the project in phases and phase 1 of the project comprising 30% of the total capacity has already been commissioned in March 2021. Trials had started from March 2021 and RDPL has also started supplying to a few customers. In terms of project progress, entire civil construction has been completed and as and when machinery is received at the site, the separate manufacturing lines will be made operational.
RDPL has been trading in these pigments through its wholly owned subsidiary in UK viz. Simpsons UK since past few years and the Dahej project is an attempt to backward integrate into manufacturing the pigments which are being traded. The entire output shall be sold in the export market. The past experience of the company in the segment reduces market risks to some extent.

Key Rating Weaknesses
High exposure to group entities in form of loans & advances and corporate guarantees extended
As on March 31, 2020 RDPL had extended loans and advances to other related entities in the group to the tune of Rs 140.94 crore. The company is also expected to support the Roha group's housing finance business through extension of corporate guarantee of up to Rs 100 crore. Any increase in exposure to other group entities in unrelated businesses, and renewed exposure to real estate will remain key rating sensitivities.

Operating cycle continues to be on higher side
Majority of the company's sales comes from export of its products to its subsidiaries. These subsidiaries in turn further process the products to suit their local market requirements. These lead to significant inventory holding period at the group level. Further RDPL has to maintain large inventory, being dealing in a large variety of products. The debtor days are higher due to longer approval process for the products from the customers. Although, the operating cycle remained stable showing a marginal decline of one day, the operating cycle continues to be on higher side.

Exposure to volatility in forex fluctuation
RDPL derives majority of its revenues from exports to large number of countries accounting for around ~65% of revenues earned by its color division. Payments for these sales are received in multiple countries such as USD, Euro, GBP, JPY and AUD. RDPL also sources part of its raw material requirements from foreign countries, for which payments are done in USD, Euro, GBP, AUD and JPY. The company also borrows part of its funding requirements in foreign currency. RDPL hedges some of its foreign currency exposure through derivative instruments and some portion is naturally hedged. However, volatility the un-hedged portion of the foreign currency exposure may still affect the company's profit margins.

Liquidity: Adequate
RDPL continues to have adequate liquidity position, the company is projected to generate a GCA of Rs.335 crore in FY22 as against the company has scheduled repayment of Rs. 57.93 crore. The utilization of fund- based limits remained moderate with average utilization of around 60% for the last twelve months ending March 2021.

Analytical approach: CARE has changed the analytical approach from standalone to consolidated approach as there are strong operational and financial linkages between RDPL and its subsidiaries. RDPL's subsidiaries are either marketing entities or manufacturing cum marketing entities engaged in the same line of business.

Applicable Criteria

- Criteria on assigning Outlook and Credit Watch to Credit Ratings
- CARE'S Policy on consolidation
- CARE's Policy on Default Recognition
- Criteria for Short Term Instruments
- Rating Methodology-Manufacturing Companies
- Financial ratios – Non-Financial Sector
- Liquidity analysis of non- financial sector entities

About the Company

Established in 1972, Roha Dye Chem Private Limited (RDPL), is promoted by Mr Ramakant Tibrewala and Mr Shrikant Tibrewala. RDPL is in to manufacturing of food grade colour which find application in dyes and intermediates for food & beverages, pet food, animal feed, cosmetics. RDPL has a global presence with offices in 24 countries. The company also operates Solar plants (Including captive 10 MW) aggregating 60 MW and Wind energy plants with an aggregate operational capacities of 31.5 MW across various locations. Most of the plants have long term PPA (Power Purchase Agreements) which provides revenue visibility to that extant.

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3*

Brief Financials (Rs. crore) consolidated	FY19 (A)	FY20 (A)	FY21 (Provisional)
Total operating income	1,581.36	1,776.27	1,806.97
PBILDT	310.60	367.68	450.88
PAT	120.71	150.97	239.59
Overall gearing (times)	1.07	0.91	0.65
Adjusted Overall gearing (times)*	1.51	1.31	0.88
Interest coverage (times)	4.74	5.46	5.93

*A: Audited; *Adjusted for exposure in related group companies*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	463.82	CARE A; Stable
Fund-based - LT/ ST-CC/PC/Bill Discounting	-	-	-	200.00	CARE A; Stable / CARE A1
Non-fund-based - ST-BG/LC	-	-	-	25.00	CARE A1

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	463.82	CARE A; Stable	-	1)CARE BBB; Stable; ISSUER	1)CARE A-; Stable (31-Mar-20)	1)CARE A-; Stable

						NOT COOPERATING* (26-Mar-21)	2)CARE A-; Stable (05-Apr-19)	(06-Apr-18)
2.	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	200.00	CARE A; Stable / CARE A1	-	1)CARE BBB; Stable / CARE A3+; ISSUER NOT COOPERATING* (26-Mar-21)	1)CARE A-; Stable / CARE A2+ (31-Mar-20) 2)CARE A-; Stable / CARE A2+ (05-Apr-19)	1)CARE A-; Stable / CARE A2+ (06-Apr-18)
3.	Non-fund-based - ST-BG/LC	ST	25.00	CARE A1	-	1)CARE A3+; ISSUER NOT COOPERATING* (26-Mar-21)	1)CARE A2+ (31-Mar-20) 2)CARE A2+ (05-Apr-19)	1)CARE A2+ (06-Apr-18)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not applicable

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple
2.	Fund-based - LT/ ST-CC/PC/Bill Discounting	Simple
3.	Non-fund-based - ST-BG/LC	Simple

Annexure 5: List of companies considered for consolidation

Sl. No.	Company Name	% shareholding
1	Roha USA LLC	100%
2	Roha (UK) Ltd.	100%
3	Simpsons (UK) Ltd.	100%
4	Roha Europe S.L.	100%
5	Roha Dyechem Thailand Ltd.	100%
6	Pt. Roha Lautan Pewarna	70%
7	Roha Dyechem Vietnam Ltd.	100%
8	Roha SRL Italy	100%
9	Roha Dyechem (Hongkong) Ltd.	100%
10	Roha (Australia) Pty Ltd.	100%
11	Roha Sciences Mexico S.A	100%
12	Roha Dyechem (Shanghai) Ltd.	100%
13	Roha Dyechem LLC, Russia	100%
14	Roha Dyechem Egypt LLC.	100%
15	Roha (Shanghai) Food Additives Co Ltd.	100%
16	Roha Argentina S.A.	95%
17	Roha Asia Pacific (Thailand) Ltd.	100%
18	Roha Middle East FZE	100%
19	Roha Japan Ltd.	100%
20	Roha Gida Katki Maddeleri Ticaret	100%
21	Roha Dyechem SEZ Pvt. Ltd.	100%
22	Roha Italy SPA	100%
23	Essential SRL	100%
24	Roha Canada Ltd.	100%
25	Colour Trading Corporation	100%
26	Roha Investments LLC	100%
27	Mark AL Chemical DeMexico SA	100%

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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