Roha Dried Ingredients Limited (Erstwhile Saraf Foods Limited)

November 13, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities @	5.26 (Reduced from 18.90)	CARE A (CE); Positive	Upgraded from CARE BBB; Stable
Long-term / Short-term bank facilities @	22.00	CARE A (CE); Positive / CARE A1 (CE)	Upgraded from CARE BBB; Stable / CARE A3+
Short-term bank facilities @	8.00	CARE A1 (CE)	Upgraded from CARE A3+

Details of instruments/facilities in Annexure-1.

@ backed by credit enhancement in the form of unconditional and irrevocable corporate guarantee extended by Roha Dye Chem Private Limited (RDPL, rated 'CARE A; Positive/ CARE A1').

Unsupported rating	**CARE BBB; Stable / CARE A3+ [Assigned]**

Note: Unsupported rating does not factor in the explicit credit enhancement.

Rationale and key rating drivers for credit enhanced debt

Revision in ratings assigned to bank facilities of Roha Dried Ingredients Limited (RDIL) factors in the credit enhancement (CE) in the form of an unconditional and irrevocable corporate guarantee (CG) extended by Roha Dye Chem Private Limited (RDPL; rated: CARE A; Positive/ CARE A1), which now follows the Reserve Bank of India's (RBI's) guidance on bank loan - credit enhanced ratings dated April 22, 2022, and subsequent FAQs dated July 26, 2022, considering CE ratings. The executed corporate guarantee deed dated January 27, 2023, and addendum to the deed dated May 27, 2024, met required stipulations of abovementioned RBI guidance note. Accordingly, CARE Ratings Limited (CARE Ratings) has changed the analytical approach, for rating of bank facilities, to credit enhanced ratings.

Rationale and key rating drivers of RDPL (Guarantee Provider)

Ratings of RDPL factor in continuous growth in scale of operations and healthy financial risk profile in FY23 (FY refers to April 01 to March 31) and FY24 on a consolidated basis. CARE Ratings expects steady performance in coming years, considering established market position in synthetic colour market, diversified revenue profile with wide geographical reach, and extensive product portfolio. The company's total operating income (TOI) improved 10% year-over-year (y-o-y) and stood at ₹2,414 crore with an operating margin of 17.05% in FY24. The company's financial risk profile continues to remain healthy supported by net worth base of over ₹1,400 crore resulting in an adjusted overall gearing of 0.73x as on March 31, 2024. Debt coverage indicators are comfortable with interest coverage ratio at 4.42x and total debt to profit before interest, lease rentals, depreciation, and taxation (TD/PBILDT) at 2.12x as on March 31, 2024. The credit metrics are expected to remain comfortable in the medium term considering no large debt-funded capex plans.

However, ratings remain constrained by exposure to group companies and overseas subsidiaries through advances and corporate guarantees, working capital intensive operations and exposure to raw material price volatility and foreign exchange rates.

Key rating drivers of Roha Dried Ingredients Limited (RDIL)

The unsupported ratings of RDIL derive strength from its strong parentage (being a wholly owned subsidiary of RDPL) and CARE Ratings' expectations that RDPL shall extend support to RDIL as and when needed. However, ratings are constrained by modest scale of operations with decline in TOI by 30% y-o-y to ₹66.04 crore in FY24 despite healthy operating margins above 20%. RDIL's product portfolio remain concentrated with freeze dried sweet corn and peas contributing over 70% to the total revenue in FY24. In H1FY25, the company generated revenue worth ₹39 crore and operating profit of ₹0.20 crore as the company incurred sizeable R&D expenditure towards new product development to meet evolving client requirements with a focus on higher value-addition. CARE Ratings expects RDIL's performance to improve gradually over the medium term with the company finding the right product market fit and acceptability for its new products. The strong parentage with established relations with clients is likely to support improvement in operations. Ratings also constrains due to RDIL's working capital intensive operations considering high inventory holding period resulting in maximum monthly working capital utilisation of ~70% for the last 12-months ending August

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

2024, product and customer concentration risk, and moderate capital structure. Product diversification resulting into improvement in scale of operations will be key monitorable.

Rating sensitivities (of the Guarantee Provider, RDPL): Factors likely to lead to rating actions

Positive factors

- Improving scale of operations above ₹2,500 crore and operating margin exceeding 16% on a sustained basis.
- Improving return on capital employed (ROCE) over 15% on a sustained basis.
- Improving total debt to gross cash accruals (TD/GCA) below 2.5x on a sustained basis.

Negative factors
- Declining ROCE below 11% on a sustained basis.
- Deteriorating capital structure with overall gearing exceeding 1.00x on a sustained basis.
- Significantly increasing exposure in other related entities beyond the existing levels.

Analytical approach:
CE ratings: Assessment of the guarantor, RDPL. The rating is based on CE in the form of unconditional and irrevocable corporate guarantee extended by RDPL in favour of the lender. The guarantor, RDPL's credit profile has been analysed on a consolidated basis owing to RDPL's financial and operational linkages with its subsidiaries, common management and corporate guarantee provided by RDPL for debt raised in RDIL. The list of companies getting consolidated in RDPL is given in **Annexure-6.**

Unsupported ratings: Standalone with parent notch up
CARE Ratings has adopted standalone approach with parent notch up considering strong operational, managerial and financials linkages with its parent RDPL.

Outlook (CE Ratings): Positive
The positive outlook on RDIL's long-term rating reflects CARE Ratings positive outlook on ratings of guarantor, RDPL, considering the continuous growth in its scale of operations supported by established market position in the synthetic food colour manufacturing business, successful commencement of the backward integrated operations in non-food colour segment at Dahej, and greater export opportunities in European markets due to recent take-over of RDIL. RDPL's debt reduction plans and no upcoming major capex are likely to improve the credit metrics in medium term.

Detailed description of key rating drivers of RDPL, (Guarantee Provider):

Key strengths

Established market position in the synthetic food colour market
RDPL has established itself as one of the leading players in the synthetic colour manufacturing business. According to RDPL's management, its market share in the global food colour industry is ~35%, and it is one of the leading players in organised segment in domestic market. 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 among others. The company's long track record and experience in the industry is expected to support its operations over the medium term.

Diversified revenue profile with wide geographical reach and large product portfolio
RDPL's revenue profile includes ~95% of sales coming from colour segment and balance from renewable energy segment. Of the total sales from food colour segment, over 80% revenue is contributed by the export sales and balance from the domestic market. The company's core strength lies in its food colour division business with operations across multiple countries through its subsidiaries and branches in the USA, the U K, Indonesia, Russia, Thailand, Vietnam, and Australia, among others. The company had consistently expanded its product portfolio through in-house research and 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 industries or geographies. Recent acquisition of RDIL will facilitate strengthening of RDPL's market share in natural colour segment. RDPL's operations are likely to benefit from this acquisition, as it will now be a one-stop solution for Vacuum Individually Quick-Frozen (IQF), Freeze Dry, and Air Drying as before the acquisition, RDPL only had Air Drying facility in its Italy-based subsidiary.

Steady revenue growth and profitability in FY24; likely to sustain
RDPL registered a continuous growth in the food colour segment in FY24 with 10% y-o-y improvement in total revenue to ₹2,414 crore (PY: 2,195 crore) supported by adequate capacity utilisation. RDPL has been trading in the non-food colour segment through its wholly owned subsidiary in the UK since past few years. However, installation of Dahej plant is an attempt to backward integrate by manufacturing these chemicals. The plant has an installed capacity of 9,120 metric tonne per annum (MTPA) and FY24 was the first full year of operations. The capacity utilisation will be improving gradually, and entire output shall be sold in the export market. CARE Ratings expects RDPL's sales to maintain a growth trajectory in the medium term supported by established market position and additional capacity which has come on stream due to the operationalisation of the Dahej plant. RDPL's profitability margins remain largely steady and healthy at 17.05% in FY24 compared to 16.01% in FY23. Further, RDPL's profit after tax (PAT) margin stood at 7.95% for FY24 against 6.52% for FY23. The profitability is expected to improve gradually going forward with operationalisation of recently installed capacities and relative stability in commodity prices.

Experience of the promoters in synthetic colour segment
RDPL is promoted by Ramakant J Tibrewala and Shrikant J Tibrewala. The company's promoters have over five decades of experience in the group's flagship synthetic colour business and are actively involved in managing the business. Their extensive experience helps the company in timely adoption of changing market dynamics. Moreover, the company's promoters are assisted by professionals with different areas of expertise for handling the company's day-to-day operations. Also, RDPL has appointed professionals at departments to proficiently manage its operations at plant and administrative levels.

Healthy capital structure and debt coverage indicators
RDPL's capital structure continues to remain healthy with slight improvement in overall gearing to 0.58x in FY24 against 0.82x in FY23 due to scheduled repayments of term debt and no fresh borrowings. RDPL's debt profile comprises term loans (rupee term loans and foreign currency loans), working capital borrowings, and promoter loans. Promoter loans are interest free and have been maintained in the company since infusion. Debt coverage ratios continue to remain comfortable with interest coverage ratio at 4.42x and TD/PBILDT at 2.22x as on March 31, 2024. CARE Ratings expects credit metrics to improve in medium term due to major capex plans and reduction in the exposure to subsidiaries owing to debt reduction plans.

Key weaknesses

High exposure to group entities in form of loans and advances and corporate guarantees extended
As on March 31, 2024, RDPL's extension of loans and advances to other related entities in the group accounts to over ₹291 crore (PY: ₹250 crore). The company has also issued corporate guarantee to its subsidiaries. CARE Ratings continues to monitor significant increase in exposure to other group entities, being a key rating sensitivity.

Working capital intensive operations
The company's majority sales are from export of its products to its subsidiaries. These subsidiaries further process the products to suit their local market requirements, leading to significant inventory holding period at the group level. RDPL maintains large inventory, as it deals in a large variety of products. Debtor days are higher due to longer approval process for the products from the customers. The company's operating cycle stood steady at 145 days for FY24 against 149 days in FY23.

Exposure to volatility in foreign exchange rates
RDPL derives majority revenues from exports to large number of countries accounting for over 85% revenues earned by its colour 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 unhedged portion of the foreign currency exposure may still affect the company's profit margins.

Liquidity: Strong
On a consolidated basis, the gsroup's free cash and bank balance stood at ₹ 187 crore and current ratio stood at 1.65x as on March 31, 2024. RDPL continues to have strong liquidity with an expected GCA of over ₹ 250 crore in FY25 against the company's yearly scheduled repayment of ~₹120 crore and no large debt-funded capex or acquisition plans over the near-to-medium term. The average utilisation of fund-based limits worth ₹ 375 crore stood at 70% from March 2024 to September 2024 providing liquidity buffer. On a standalone basis, RDPL has free cash and bank balance of ₹50 crore as on September 30, 2024. Hence, the liquidity is expected to continue to remain strong for medium term.
For RDIL, the free cash and bank balance stood at ₹6 crore as on October 18, 2024. Furthermore, RDIL's GCAs worth at ₹3 crore are tightly matched with principal debt repayments of ₹5.32 crore for FY25, however, the parent is expected to infuse funds to support the debt repayments. The company has no debt-funded capex plans in the medium term. RDPL's corporate guarantee to bank facilities of RDIL will support the company in shortfall of liquidity.

Applicable criteria

Consolidation
Definition of Default
Factoring Linkages Parent Sub JV Group
Liquidity Analysis of Non-financial sector entities
Rating Credit Enhanced Debt
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

Adequacy of CE structure

Entire bank facilities of RDIL are backed by an unconditional and irrevocable corporate guarantee given by RDPL till the entire tenor of the facilities which follows the Reserve Bank of India's (RBI's) guidance note on bank loan - credit enhanced ratings dated April 22, 2022, and subsequent FAQs dated July 26, 2022, considering credit enhancement ratings. The executed corporate guarantee deeds met required stipulations of above-said RBI guidance note. The guarantee stipulates the guarantor to pay on first demand, without deduction, within T+1 days of the invocation of the guarantee.

About credit enhancement provider - RDPL

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Commodities	Chemicals	Chemicals & petrochemicals	Commodity chemicals

Established in 1972, RDPL is promoted by Ramakant Tibrewala and Shrikant Tibrewala. The company is in manufacturing food grade colour, which finds application in dyes and intermediates for food and beverages, pet food, animal feed, and cosmetics. RDPL has a global presence with offices in 24 countries. The company also operates solar plants aggregating to 63.5 MW (including captive capacity of 11 MW) and wind energy plants with an aggregate operational capacity of 31.5 MW across locations. Most plants have long-term power purchase agreements (PPA) providing revenue visibility to that extant.

Brief Financials (₹ crore) - Consolidated	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (Provisional)
Total operating income	1973.74	2195.73	2414.60
PBILDT	328.15	351.48	411.80
PAT	173.28	143.12	191.84
Overall gearing (times)	0.71	0.82	0.58
Interest coverage (times)	9.05	4.23	4.42

A: Audited; Note: 'these are latest financial results available'

About the company and industry- RDIL

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Food products	Other food products

Roha Dired Ingredients Limited (RDIL; Erstwhile Saraf Foods Limited) is a wholly-owned subsidiary of RDPL. It produces a wide range of freeze-dried foods ranging from sweet corn, green peas, green peppercorn, onion, potatoes, and chicken among others. Over the years, the company has constantly increased its freeze-drying capacity and has carved a niche in freeze dried foods segment in India through expansion of new unit with Individual Quick Freezing (IQF) capacity. Currently, RDIL operates two manufacturing plants with a total installed capacity of 20 metric tonnes per day (MTPD) for freeze drying, 3 metric tonnes per hour (MTPH) for Instant Quick Freeze Drying and 2 MTPH for Air Drying. The products supplied by RDIL find their application in ready-to-eat food segment such as soups, and instant noodles among others and its clientele comprises renowned companies like the Hindustan Unilever Limited, Unilever Europe BV, and Maruchan Inc among others. The company sells domestically and exports largely to Germany and the USA.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Provisional)	H1FY25 (UA)
Total operating income	94.37	66.04	39.04
PBILDT	18.18	15.67	0.20
PAT	4.89	1.33	-5.96
Overall gearing (times)	1.76	1.49	NA
Interest coverage (times)	3.91	4.71	NA

A: Audited; UA: Unaudited; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	October 2027	5.26	CARE A (CE); Positive
Fund-based - LT/ ST-Cash Credit	-	-	-	-	22.00	CARE A (CE); Positive / CARE A1 (CE)
Fund-based - ST-Cash Credit	-	-	-	-	8.00	CARE A1 (CE)
Un Supported Rating-Un Supported Rating (LT/ST)	-	-	-	-	0.00	CARE BBB; Stable / CARE A3+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-Cash Credit	LT/ST	22.00	CARE A (CE); Positive / CARE A1 (CE)	-	1)CARE BBB; Stable / CARE A3+ (14-Aug-23)	1)CARE BB+ / CARE A4+ (RWP) (27-Dec-22) 2)CARE BB+ / CARE A4+ (CW with Positive Implications) (11-Nov-22) 3)CARE BB+; Stable / CARE A4+ (30-Aug-22)	1)CARE BB+; Stable / CARE A4+ (30-Aug-21)
2	Fund-based - LT-Term Loan	LT	5.26	CARE A (CE); Positive	-	1)CARE BBB; Stable (14-Aug-23)	1)CARE BB+ (RWP) (27-Dec-22) 2)CARE BB+ (CW with Positive Implications) (11-Nov-22) 3)CARE BB+; Stable (30-Aug-22)	1)CARE BB+; Stable (30-Aug-21)
3	Non-fund-based - ST-Bank Guarantee	ST	-	-	-	1)Withdrawn (14-Aug-23)	1)CARE A4+ (RWP) (27-Dec-22) 2)CARE A4+ (CW with Positive Implications) (11-Nov-22) 3)CARE A4+ (30-Aug-22)	1)CARE A4+ (30-Aug-21)
4	Fund-based - ST-Cash Credit	ST	8.00	CARE A1 (CE)	-	1)CARE A3+ (14-Aug-23)	1)CARE A4+ (RWP) (27-Dec-22)	1)CARE A4+ (30-Aug-21)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
							2)CARE A4+ (CW with Positive Implications) (11-Nov-22) 3)CARE A4+ (30-Aug-22)	
5	Un Supported Rating-Un Supported Rating (LT/ST)	LT/ST	0.00	CARE BBB; Stable / CARE A3+				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Name of the Instrument	Detailed Explanation
A. Financial covenants	NIL
B. Non-financial covenants	
I.	Unsecured loans from parent company (RDPL) to continue to remain subordinated to the bank loan.

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Fund-based - ST-Cash Credit	Simple
4	Un Supported Rating-Un Supported Rating (LT/ST)	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Annexure-6: List of entities consolidated with RDPL as on March 31, 2024

Sr. No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Roha USA LLC	Full	Significant operational and financial linkages
2	Roha (UK) Ltd.	Full	Significant operational and financial linkages
3	Simpsons (UK) Ltd	Full	Significant operational and financial linkages
4	Roha Europe S.L.	Full	Significant operational and financial linkages
5	Roha Dyechem Thailand Ltd.	Full	Significant operational and financial linkages
6	Pt. Roha Lautan Pewarna	Full	Significant operational and financial linkages
7	Roha Dyechem Vietnam Ltd	Full	Significant operational and financial linkages

Sr. No	Name of the entity	Extent of consolidation	Rationale for consolidation
8	Roha Dyechem (Hongkong) Ltd.	Full	Significant operational and financial linkages
9	Roha (Australia) Pty Ltd.	Full	Significant operational and financial linkages
10	Roha Sciences Mexico S.A	Full	Significant operational and financial linkages
11	Roha Dyechem (Shanghai) Ltd.	Full	Significant operational and financial linkages
12	Roha Dyechem LLC, Russia	Full	Significant operational and financial linkages
13	Roha Dyechem Egypt LLC.	Full	Significant operational and financial linkages
14	Roha (Shanghai) Food Additives Co Ltd.	Full	Significant operational and financial linkages
15	Roha Argentina S.A.	Full	Significant operational and financial linkages
16	Roha Asia Pacific (Thailand) Ltd.	Full	Significant operational and financial linkages
17	Roha Middle East FZE	Full	Significant operational and financial linkages
18	Roha Japan Ltd.	Full	Significant operational and financial linkages
19	Roha Gida Katki Maddeleri Ticaret	Full	Significant operational and financial linkages
20	Roha Dahej SEZ Private Limited	Full	Significant operational and financial linkages
21	Roha Saykha Private Limited	Full	Significant operational and financial linkages
22	Roha Italy SPA	Full	Significant operational and financial linkages
23	Essential SRL	Full	Significant operational and financial linkages
24	Roha Canada Ltd.	Full	Significant operational and financial linkages
25	Roha Poiska sp. z.o.o	Full	Significant operational and financial linkages
26	Roha Dried Ingredients Limited (Erstwhile Saraf Foods Limited)	Full	Significant operational and financial linkages
27	Roha Food Ingredients Private Limited	Full	Significant operational and financial linkages
28	Roha Specilaities Philiphines	Full	Significant operational and financial linkages

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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