

Jay Chemical Industries Private Limited

March 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	113.17 (Reduced from 200.00)	CARE A+; Stable	Reaffirmed
Long-term / Short-term bank facilities	365.00	CARE A+; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	130.00	CARE A1+	Assigned
Short-term bank facilities	60.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Jay Chemical Industries Private Limited (JCIPL) continue to derive strength from vast experience of its promoters in the dyestuff industry, leading position in the domestic reactive dyes segment with backward-integrated manufacturing facilities for its major dye intermediates, established marketing and distribution network with a diversified customer base, geographically diversified revenue stream, healthy profitability, and comfortable capital structure and debt coverage indicators. Ratings are further underpinned by benefits derived from stricter regulatory landscape pertaining to pollution control norms in China and India, benefitting organised and integrated dyestuff players such as JCIPL, which have zero liquid discharge manufacturing facilities.

However, ratings are constrained due to susceptibility of profitability to raw material prices and foreign exchange rate volatility, low return on capital employed (ROCE), susceptibility to the demand from textile industry and risk related to continuous compliance of stricter pollution-control norms. Ratings also factor in the moderately higher utilisation of working capital limits, given large part of cash accruals have been deployed for its capex.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in the scale of operations marked by the total operating income (TOI) of more than ₹2,000 crore and profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 14% on a sustained basis.
- Improvement in ROCE to ~15% on a sustained basis.

Negative factors

- Declining profitability marked by PBILDT margin of less than 11% on a sustained basis, leading to significantly moderate debt coverage indicators.
- Deteriorating total debt to gross cash accruals (TD/GCA) beyond 3x on a sustained basis.
- Adverse change in government policy w.r.to export and imports of dyes, significantly affecting JCIPL's operations.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has taken a consolidated approach in view of operational and financial linkages of JCIPL with its subsidiaries. Subsidiaries operate as a marketing arm of the parent in the overseas locations. List of companies consolidated has been placed in **Annexure-6**.

Outlook: Stable

CARE Ratings believes that JCIPL shall continue to benefit from long and established track record in the dyestuff industry and vast experience of promoters, while sustaining its comfortable financial risk profile.

Detailed description of key rating drivers:

Key strengths

Long and established track record of promoters in the dyestuff industry

JCIPL is one of the leading producers of dye and dye intermediates in India with over 200 varieties. The Kharawala group (promoters of JCIPL) has over 55 years of track record in the reactive dyes and dye intermediate industry. The chairman, Mr. Jayendra H. Kharawala, one of the pioneers of reactive dyes manufacturing in India, commenced the business as proprietorship firm in 1967. His son, Mr. Greeven Kharawala, Managing Director of JCIPL, also has vast experience of over 25 years in the business. The Board of Directors is well supported by the company's senior management team who are well qualified in their respective fields. Over the years, the promoters' business acumen has led to the company's growth.

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

Leading position in domestic reactive dyes segment with backward-integrated manufacturing facilities for major dye intermediates

JCIPL is among the largest producers of reactive dyes in India with an estimated market share of ~25% in the domestic reactive dye industry. The company is also one of leading exporters of reactive dyes with an export market share of ~14%, which supports the market position. Operations are backward integrated with key dye intermediates manufactured in-house. In the dye intermediate segment, manufacturing capacity mainly comprises Vinyl Sulphone of 8,400 metric tonne per annum (MTPA), H-acid of 4,800 MTPA, Copper Phthalocyanine Crude (C.P.C.) of 3,600 MTPA, and recently commenced disperse dyes intermediates of 12,000 MTPA as on December 31, 2024. Capacity of VS and H-acid is sufficient to serve over 90% of the raw material requirement. However, depending on production cost viability, the company decides between making or buying for such intermediate products. Besides its leadership position in reactive dyes, JCIPL had also set up disperse dyes unit in FY22, capacity utilisation of which has gradually improved to 21% in 9MFY25. However, the segment revenue remains nominal currently and is expected to scale up over the medium term on the back of expansion of the product portfolio. Furthermore, as a part of the diversification strategy, the company has also set up surfactant facility with an installed capacity of 6,000 MTPA, which has commenced commercial operations in the current fiscal year. Surfactants find applications in home care, personal care, among others. Reactive dyes contributed 87% to revenue in 9MFY25, disperse dyes contributed 3.5%, surfactants contributed less than 1% to the revenue, while balance has been contributed by associated auxiliary chemicals.

Established marketing and distribution network and geographically diversified clientele

JCIPL has an established marketing set-up with well-known brands such as 'Jakozol' and 'Jakofix' in the reactive dyes segment (domestic and export markets). For the domestic market, JCIPL has a network of agents spread across the dye consuming centres of the country. JCIPL also focuses on direct sales to major customers for further enhancing its presence. JCIPL's revenue profile is well diversified geographically with domestic market contributing 49% in 9MFY25 (FY24: 54%) while exports contributed 51% (46%). JCIPL has a well-diversified customer base in both domestic and export markets with long-standing relationship with many of them, and no major dependence on a single entity.

Healthy operating performance; scale of operations to witness healthy growth in FY25

JCIPL's operating performance has been supported by steady PBILDT margin over the years on the back of established market position and strong distribution channel, which has enabled the company to derive a healthy realisation. In FY24, TOI declined by 8% year-on-year (yoy) to ₹1,397 crore on the back of decline in average realisation and continued subdued demand in the textile and leather industries. Nonetheless, PBILDT margin continued to remain steady at 14.91% (FY23: 14.51%).

In 9MFY25, TOI grew by 25% yoy to ₹1,233 crore, on the back strong growth of 26% yoy in volume sales, which has been supported by strong growth in export volumes (+47% yoy). Domestic volume sales growth stood at 7% yoy in 9MFY25. Strong growth in export sales is on the back of changes in the distribution channel and supply chain across its overseas operating locations. The company has established warehouse across the locations of Turkey and Vietnam and has now commenced direct selling in Bangladesh, which has enabled to increase its sales volumes across these locations and expand its market presence. Overall scale of operations is expected to witness a healthy growth of 15-16% in FY25 to ~₹1,600 crore, while PBILDT margin is expected to remain steady at ~15%. The company plans to further open warehouses across overseas locations which is expected to support increase in export volume sales. This coupled with gradual increase in the capacity utilisation of disperse dyes facility and surfactants unit, is expected to support the growth in volume sales and overall scale of operations of the company over the medium term. Profitable scale up of operations supporting improvement in RoCE shall remain key rating monitorable.

Comfortable capital structure and debt coverage indicators

JCIPL's financial risk profile is marked by strong net worth base and relatively lower debt level. Healthy accretion of profits to net worth over the years has resulted in a strong net worth base of ₹1,167 crore as on December 31, 2024 (₹1,073 crore as on March 31, 2024). Overall gearing stood comfortable at 0.22x as on December 31, 2024 (FY24: 0.25x), while total outside liabilities to tangible net worth (TOL/TNW) stood at 0.62x (FY24: 0.58x). Debt coverage indicators remained comfortable and witnessed an improvement. PBILDT interest coverage improved to 13.03x for 9MFY25 (FY24: 9.37x). Total debt/PBILDT and Total Debt/GCA stood at 1.30x in FY24 (FY23: 1.34x) and 1.64x (FY23: 1.80x), respectively, and are expected to remain at a similar level for FY25. CARE Ratings believes overall financial risk profile to continue to remain strong in the medium term supported by no-major debt-funded capex plans and continued healthy operating performance.

Stricter regulatory landscape pertaining to pollution control norms benefitting the organised integrated players

With stricter regulatory landscape pertaining to pollution control norms and increasing effluent handling costs, organised integrated players such as JCIPL are expected to benefit. JCIPL's main manufacturing facility at Khambhat in Gujarat is zero liquid discharge compliant. The domestic dyes industry is expected to witness steady growth mainly driven by rising export volumes, demand from the textile industry and 'China plus One' sourcing policy being adopted by major foreign countries. With volatile raw

material prices for intermediates, organised players with backward integration for intermediates are expected to have a competitive edge over the unorganised dye manufacturers.

Liquidity: Adequate

JCIPL's liquidity remains adequate marked by expected cash accruals of ~₹200 crore against the scheduled debt repayment of ~₹44 crore in FY26. There are no major capex plans envisaged by the company in FY26. With an overall gearing of 0.22x as on December 31, 2024 (0.25x as on March 31, 2024), the company has sufficient gearing headroom to raise additional funds for its capex. Average utilisation of fund-based working capital limits stood at ~60% for the past 12 months ended December 31, 2024, providing adequate cushion to meet incremental working capital requirement over the medium term.

Key weaknesses**Susceptibility to foreign exchange fluctuation risk and volatile raw material prices**

Export sales constituted ~46% of JCIPL's total sales in FY24 and 51% for 9MFY25. Although JCIPL is a net exporter (imports of raw material is ~47% of total raw materials in FY24 and 30% in 9MFY25), it does remain exposed to the inherent foreign exchange fluctuation risk mainly on account of timing difference between receipt of export remittance and payment liabilities for imports. The company hedges exports based on confirmed export orders received by them to avoid losses in volatile forex market. As a strategy, the company hedges all its imports and 80% of the exports through forwards contracts, which partially mitigates the risk.

Majority of JCIPL's raw materials are petroleum and sulphur based; hence their prices remain susceptible to volatility of crude oil and sulphur prices in domestic and international markets. The prices of two main dye intermediates H-Acid and VS has remained highly volatile; albeit JCIPL largely meets these requirements through captive manufacturing facilities and has option to buy from the market to capture price gain. However, to ensure the availability of its raw materials, the company has tied up with multiple companies for procurement of its raw materials and their contracts are renewed in every 3-6 months, based on raw material requirements.

Low ROCE

JCIPL's ROCE remained low at ~10% in FY24 (operating ROCE of ~11.5%) due to large-size capex incurred in the recent past. The company has been investing in capex to comply with relevant pollution-control norms apart from capacity building to diversify its product portfolio. Investment in capex for compliance is a non-revenue generating investment, which has led to moderate fixed assets turnover ratio. The company has invested towards setting up of disperse dyes plant and surfactants unit, which is currently operating at a lower capacity utilisation and thus revenue and profitability from the segments remain low. CARE Ratings expects ROCE to remain moderate at ~10-12% over the medium term till the time company generates meaningful revenue and profitability from its investments.

Growth susceptible to demand from textile sector

Dye and dyestuff industry finds applications in textiles, paper, plastics, printing ink, and foodstuff industries among others. The textile industry accounts for nearly 80% of dyes and dyestuffs consumption. Textile industry has witnessed a challenging scenario in the past year in view of global macro-economic headwinds, which in turn has impacted the demand for the dyes. Prospects of dye manufacturers depend on growth of the textile industry, competition from foreign countries, exchange rate fluctuations, backward integration in dye intermediates, plant location, and marketing set-up. Dye industry is fragmented with intense competition from within due to large number of organised and unorganised players, which impacts the industry dynamics in India. Additionally, current changing geopolitical scenario including imposition of tariff and reciprocal tariff by countries and consequent realignment of global supply chain could remain a key challenge from the volume and product prices in the near-to-medium term. However, JCIPL's established position in the domestic market and leading position in exports of reactive dyes, which is the major revenue driver for the company, partially offsets the risk.

Risk related to continuous compliance of stricter pollution-control norms

Strict adherence to pollution control norms is foremost for all companies operating in the chemical industry. JCIPL has invested on being environmentally compliant over the years for complying with pollution control norms. The company is active towards balancing and minimising the possible adverse impact of dyes on health and environment through treatment of waste by effluent treatment and incineration process including operation and maintenance of hazardous waste land fill site. The company has in place the requisite approvals from the pollution control board. In past 12 months, the company has not received any adverse observation from pollution control board neither received any closure notices from authorities. The company remains exposed to change or stricter pollution control norms.

Applicable criteria

[Consolidation](#)

[Policy on Default Recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals & petrochemicals	Dyes and pigments

Gujarat-based JCIPL was originally promoted as a proprietorship concern by Jayendra H Kharawala in 1967 and subsequently incorporated on March 31, 2000, as a closely held public limited company. In 2020, it was incorporated as a private limited company. JCIPL is engaged in manufacturing reactive dyes with over 55 years of track record. JCIPL has a capacity of 55,200 metric tonne per annum (MTPA) for reactive dyes and 12,000 MTPA for disperse dyes, installed solar power capacity of 14.3 MW, and wind power capacity of 6.2 MW as on December 31, 2024.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	9MFY25 (UA)
Total operating income	1,510.68	1,396.62	1,232.95
PBILD	219.14	208.22	194.25
PAT	103.75	86.92	89.24
Overall gearing (times)	0.30	0.25	0.22
Interest coverage (times)	11.80	9.37	13.03

A: Audited; UA: Unaudited; Note: These are latest available financial results
Financials are reclassified as per CARE Ratings' standards

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	16-08-2027	113.17	CARE A+; Stable
Fund-based - ST-EPC/PSC		-	-	-	130.00	CARE A1+
Fund-based-LT/ST		-	-	-	365.00	CARE A+; Stable / CARE A1+
Non-fund-based-Short Term		-	-	-	60.00	CARE A1+

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	LT/ST	365.00	CARE A+; Stable / CARE A1+	-	1)CARE A+; Stable / CARE A1+ (21-Feb-24)	1)CARE A+; Stable / CARE A1+ (17-Mar-23)	1)CARE A+; Stable / CARE A1+ (29-Mar-22)
2	Non-fund-based-Short Term	ST	60.00	CARE A1+	-	1)CARE A1+ (21-Feb-24)	1)CARE A1+ (17-Mar-23)	1)CARE A1+ (29-Mar-22)
3	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (29-Mar-22)
4	Commercial Paper-Commercial Paper (Carved out)	ST	-	-	-	-	1)Withdrawn (17-Mar-23)	1)CARE A1+ (29-Mar-22)
5	Fund-based - LT-Term Loan	LT	113.17	CARE A+; Stable	-	1)CARE A+; Stable (21-Feb-24)	1)CARE A+; Stable (17-Mar-23)	1)CARE A+; Stable (29-Mar-22)
6	Fund-based - ST-EPC/PSC	ST	130.00	CARE A1+				

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

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

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 - ST-EPC/PSC	Simple
3	Fund-based-LT/ST	Simple
4	Non-fund-based-Short Term	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr. No.	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Solunaris GMBH, Germany	Full	Subsidiary
2	Jay Boya Kimya Limited Sirketi, Turkey	Full	Subsidiary
3	Jay Chemical Vietnam Company Limited	Full	Subsidiary
4	Jay Chemical Bangladesh Private Limited	Full	Subsidiary
5	Khambhat Environ Care Association	Moderate	Associate

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.

Contact us

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About us:

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