



Rating Rationale

07 Jul 2020

Arora Aromatics Pvt Ltd

Brickwork Ratings reaffirms the ratings, with a stable outlook, for the enhanced bank loan facilities aggregating Rs.142 Crs of Arora Aromatics Pvt Ltd .

Particulars:

Facility#	Amount (₹ Crs)		Tenure	Rating [^]	
	Previous	Present		Previous (09 June 2020)	Present
Fund based	92.00	142.00	Long Term	BWR BBB+ Stable	BWR BBB + Stable Reaffirmation
	(25.00)	(45.00)	Short Term		
Non Fund Based	(10.00)	(11.20)	Short Term	BWR A2	BWR A2 Reaffirmation
Total	92.00	142.00	Rs. One Hundred and Forty Two Crores Only.		

#Please refer to Annexure I for bank facilities details.

^Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

RATING ACTION / OUTLOOK

The reaffirmation in the ratings of Arora Aromatics Pvt Ltd (AAPL or the company) factors in improvement in its turnover and key financial parameters in FY20 (Provisional), besides a healthy liquidity profile indicated by a comfortable current ratio of 1.94x and improved cash conversion days to 37 days. BWR believes that the trend is likely to remain in the medium term.

The rating also derives comfort from the promoters' experience in the manufacturing of menthol and aroma chemicals, long standing association with many large national and international players, such as Colgate-Palmolive, Hindustan Unilever Ltd, Unilever PLC amongst others. The ratings are, however, constrained by the risk of loss of orders from clients in absence of any long term contractual obligations, intense competition from the other established players in the industry and susceptibility of the company's margins to competition in the menthol industry, as well as the volatility in product prices.



Going forward, the ability of the company to maintain the growth in its scale of operations and profitability margins, manage the volatility in raw material prices and overall improvement in credit profile, would be the key rating sensitivities.

For other details of the company, please refer to our rating rationale dated 09 Jun 2020. The same can be accessed from the given link :

<https://www.brickworkratings.com/Admin/PressRelease/Arora-Aromatics-9Jun2020.pdf>

Impact of COVID 19: The company is registered under FSSAI, Food Safety & Drug Administration, Govt of UP, and its products are also used in various medicinal products and therefore its manufacturing plants were operational during the lockdown. Further, AAPL is getting enhanced orders from medicinal and food product end users. The only effect of COVID 19 on AAPL, during the lockdown period, was that in the initial days there were curbs on inward and outward supply of goods due to insufficient availability of labour and transportation services; however the same became available after sometime. Due to COVID-19 and temporary disruption in trade between India and China, AAPL is now exporting directly to Japan, Germany, France etc.

Rating Outlook: Stable

BWR believes the Arora Aromatics Pvt. Ltd's business risk profile is likely to be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach

BWR has applied its rating methodology on a standalone basis, as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Positives: The rating is sensitive to the achievement of projected sales revenues, improvement in profitability margins, improvement in network, with stable debt protection metrics and moderate liquidity parameters.

Negatives: An adverse rating action may be taken in the next review if the company's margins deteriorates from the current levels, there is a decline in profitability margins and operating income estimated for FY21 is not achieved.

About the Company

Arora Aromatics started its operation in 1976 and merged with Arora Aromatics Pvt. Ltd. in 2013. It has its registered office at Moradabad, UP. AAPL manufactures mentha crystals, peppermint oil and other



essential oils which find application in the pharmaceutical, food, tobacco, and cosmetic industries. Around 85 % of the company’s revenue is contributed by exports. The manufacturing unit has a capacity of 5000MTs and is currently utilizing 57% only. Mr.Arvind Kumar Arora and Mrs. Sodhna Arora are the directors of the company.

Key Financial Indicators

Key Parameters	Units	FY 19	FY 20
		Audited	Provisional
Total Operating Income	Rs. Cr	493.19	510.86
OPBDIT	Rs. Cr	34.75	38.98
PAT	Rs. Cr	18.72	34.22
Tangible Net worth	Rs. Cr	60.96	95.24
TOL/TNW	Times	1.10	0.68
Current Ratio	Times	1.45	1.94

RATING HISTORY for the past three years (including ratings suspended/withdrawn)

Facilities	Current Rating Rs. Crs		(Amount in Rs. Crs)											
			09 June 2020	05 Feb 2019**	02 Aug 2018	08Mar 2017								
Bank Loan	FB	142.00	BWR BBB+ Stable	FB	92.00	BWR BBB + Stable	FB	96.00	BWR BBB Stable	NA	NA			
	NFB	(11.20)	BWR A2	NFB	(10.00)	BWR A2	NFB	(10.00)	BWR A3+	FB^	60.00	BWR A3+	FB^	60.00

** Issued press release as on 13 May 2020.



^Short term rating.

Status of non-cooperation with previous CRA : NIL

Any other information: Not Applicable

Hyperlink/Reference to Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Unit](#)
- [Short Term Debt](#)

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Arora Aromatics Pvt Ltd

ANNEXURE I Details of Bank Facilities rated by BWR

Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
Allahabad Bank	Packing Credit	30.00	-	30.00
	FBP/Post Shipment Credit	50.00	-	50.00
	Stand by Limits PC/FBP	12.00*	-	12.00*
	PCFC (Sublimit of PC)	-	(25.00)	(25.00)
	ILC (Sub Limit of PC)	-	(2.50)	(2.50)
	FLC (Sub Limit of PC)	-	(2.50)	(2.50)
	BG (Sub Limit of PC)	-	(5.00)	(5.00)
SBI	Packing Credit limit	15.00	-	15.00
	FBP/Post Shipment Credit	15.00	-	15.00
Citibank	Packing Credit limit	20.00	-	20.00
	FBP/Post Shipment Credit	(20.00)	-	(20.00)
	PCFC (Sublimit of PC)	(20.00)	-	(20.00)
	ILC (Sub Limit of PC)	-	(0.50)	(0.50)
	FLC (Sub Limit of PC)	-	(0.50)	(0.50)
	BG (Sub Limit of PC)	-	(0.20)	(0.20)
TOTAL				142.00

*Full interchangeability from PC to PSC Limit.

Total :Rupees.One Hundred and Forty Two Crores Only



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