Rating Rationale

Arora Aromatics Pvt. Ltd

2 Aug 2018

Brickwork Ratings revises rating for the Bank Loan facilities of Rs.60.00 Crs of Arora Aromatics Pvt. Ltd.

Particulars:

<table>
<tr><th rowspan="2">Facility</th><th colspan="2">Amount Rated</th><th rowspan="2">Tenure</th><th rowspan="2">Previous Rating</th><th rowspan="2">Assigned Rating^</th></tr>
<tr><th>Previous</th><th>Current</th></tr>
<tr><td colspan="5">Fund Based</td><td rowspan="7">BWR A3+ (Pronounced as BWR A Three Plus) Upgrade.</td></tr>
<tr><td>Packing Credit</td><td>25.00</td><td>25.00</td><td rowspan="6">Short Term</td><td rowspan="6">BWR A3 (Pronounced as BWR A Three)</td></tr>
<tr><td>FBP/Post Shipment Credit</td><td>35.00</td><td>35.00</td></tr>
<tr><td colspan="3">Non Fund Based</td></tr>
<tr><td>ILC (Sub Limit of PC)</td><td>(2.50)</td><td>(2.50)</td></tr>
<tr><td>FLC (Sub Limit of PC)</td><td>(2.50)</td><td>(2.50)</td></tr>
<tr><td>BG (Sub Limit of PC)</td><td>(5.00)</td><td>(5.00)</td></tr>
<tr><td>Total</td><td>60.00**</td><td>60.00**</td><td colspan="3">INR Sixty Crores Only.</td></tr>
</table>

** Full interchangeability from PC to PSC Limit.

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financial results of **Arora Aromatics Pvt. Ltd** upto FY17 and provisional financials of FY18, projections of FY 19 and FY 20, publicly available information and information provided by the management of the Company.

The rating draws comfort comfort from the promoters' extensive experience in the mentha oil industry, moderate financial risk profile, increase in TOI and proximity to raw material sources.

However, the rating is constrained by tough competition from peers, volatility in mentha oil prices and risks arising from forex fluctuation.

Key Rating Drivers

Credit Strengths

- **Promoters' extensive industry experience:** Promoters have been in the mentha oil industry for over three decades, and have a track record of withstanding industry cycles.

- **Diversified consumer industry:** Currently, end products such as menthol crystals, peppermint oil and Natural Specialty products like Cis-3-Hexenol, Geraniol Acetate along with their esters are majorly supplied to the pharmaceutical industry. The growing popularity of Cis-3-Hexenol is expected to boost the sales for the cosmetics and the confectionery industry as well.

- **Comfortable Financial Risk Profile :** The company is having a healthy solvency position due to low gearing ratio at 0.94 X and a moderate networth of INR 39.80 Cr as on March 31, 2017..Further the Total Operating Income have seen an upward trend and have registered a CAGR of 30.54% through the years 2015-2018 and stood at INR 234.19 Crs on provisional basis as on March 31, 2018 due to increase in demand from overseas and domestic buyers .

- **Moderate debt protection metrics :** The debt protection metrics marked by ISCR and DSCR stood at moderate level of 3.61X and 1.61X respectively in FY17.

Credit Weakness:

- **Intense competition:** The Mental Oil industry is characterized by numerous organised and unorganised players and is concentrated in the northern part of India. Low entry barriers and low investment requirement makes the industry highly lucrative and thus competitive.

- **Exposure to foreign exchange fluctuation risk and volatility in raw material price:**The company’s revenue profile is concentrated on overseas market, which constitutes around 80-85% in FY17, whereas procurement is in the domestic market. Furthermore, the company’s profitability profile is also exposed to volatility in foreign exchange which is set off by the hedging policy of the company. However any adverse movement in raw material prices of Menthol Oil will have a negative impact on the company.

About the Company:

Arora Aromatics started its operation in the year 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 90 % of the company's revenue is contributed by exports.

Mr.Arvind Kumar Arora and Mrs. Sodhna Arora are the directors of the company.

Company's Financial Performance.

Key Financials			
Result Type	**Limits**	**31/Mar/2016**	**31/Mar/2017**
		Audited	Audited
TOI	Crs	113.65	173.48
OPBDIT	Crs	5.11	7.76
PAT	Crs	1.54	2.61
Tangible Net Worth	Crs	37.19	39.80
TOL/TNW	Times	0.50	0.94
Current Ratio	Times	2.20	1.53

Rating History for the last four years (including withdrawn/suspended ratings)

Facilities	**Rating Assigned in 2018**			**Rating History**				
	Amount to be Rated (In Cr)	**Tenure**	**Rating Assigned**	**March 2017**	**Feb 2017**	**2016**	**2015**	**2014**
Packing Credit	25.00	Short Term	BWR A3+ Upgrade	BWR A3 Upgrade	RNR	No Change	No Change	BWR A4+
FBP/Post Shipment Credit	35.00							
ILC (Sub Limit of PC)	(2.50)							
FLC (Sub Limit of PC)	(2.50)							
BG (Sub Limit of PC)	(5.00)							
Total	**60.00**	**INR. Sixty Crores Only**						

Status of non-cooperation with previous CRA (if applicable) – NA
Any other information – NIL

Hyperlink/Reference to applicable Criteria

- [General Criteria]
- [Approach to Financial Ratios]
- [Manufacturing Industry]
- [Short Term Debt]

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.