



**Rating Rationale**

**Arora Aromatics Pvt Ltd**

**05 Feb 2019**

**Brickwork Ratings assigns long term rating and reaffirms the short rating for the Bank Loan Facilities of ₹. 96.00 Crs. of Arora Aromatics Pvt Ltd.**

**Particulars**

Facility	Amount (₹ Crs)		Tenure	Rating <sup>^</sup>	
	Previous	Present		Previous (August 2018)	Present Assigned
Fund based	0.00	96.00*	Long Term	NIL	BWR BBB (Pronounced as BWR Triple B) Outlook:Stable
	60.00	NIL	Short Term	BWR A3+ (Pronounced as BWR A Three Plus)	BWR A3+ (Pronounced as BWR A Three Plus) Reaffirmation
Non Fund Based	(10.00)	(10.00)	Short Term		
<b>Total</b>	<b>60.00</b>	<b>96.00</b>	<b>Rs. Ninety Six Crores Only.</b>		

\* Including proposed limits of Rs.36.00Crs

<sup>^</sup> Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the rating

**Rationale/Description of Key Rating Drivers/Rating sensitivities:**

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

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

However, the rating is constrained by likelihood of 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 moderate gearing ratio at 1.14 X and a comfortable networth of Rs. 43.21 Cr as on March 31, 2018. Further the Total Operating Income have seen an upward trend and have registered a CAGR of 27.23% through the years 2016-2018 and stood at INR 233.19 Crs as on March 31, 2018 due to increase in demand from overseas and domestic buyers . Further against projected sales of Rs.237.57 crs. in FY19 , the company has already achieved gross sales of Rs.344.61Crs till December 2018.
- **Moderate debt protection metrics :** The debt protection metrics marked by ISCR and DSCR stood at moderate level of 3.85X and 2.53X respectively in FY 18 as compared to ISCR and DSCR at 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 FY18, 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.

### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### **Rating Outlook: Stable**

BWR believes the **Arora Aromatics Pvt Ltd** business risk profile will 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.

### **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 Financial Performance**

<b>Key Financials</b>			
<b>Result Type</b>	<b>Units</b>	<b>31/Mar/2017</b>	<b>31/Mar/2018</b>
		Audited	Audited
TOI	Rs. In Crs	173.48	233.19
OPBDIT	Rs. In Crs	7.76	9.00
PAT	Rs. In Crs	2.61	3.41
Tangible Net Worth	Rs. In Crs	39.80	43.21
TOL/TNW	Times	0.94	1.14
Current Ratio	Times	1.53	1.45

### Rating History for the last three years

Instrument /Facility	Current Rating (2019)			Rating History		
	Type	Amount (₹ Crs)	Rating	2 August 2018	8 March 2017	2016
<b>Fund Based</b>						
Packing Credit	Long Term	50.00*	BWR BBB (Pronounced as BWR Triple B) Outlook Stable	NIL	NIL	NIL
FBP/Post Shipment Credit		30.00				
Stand by Limits PC/FBP		16.00*				
<b>Non Fund Based</b>						
ILC (Sub Limit of PC)	Short Term	(2.50)	BWR A3+ (Pronounced as BWR A Three Plus) (Reaffirmation )	BWR A3+ (Pronounced as BWR Single A Three Plus)	BWR A3 (Pronounced as BWR Single A Three)	No change in the rating BWR A4+
FLC (Sub Limit of PC)		(2.50)				
BG (Sub Limit of PC)		(5.00)				
<b>Total</b>		<b>96.00*</b>	<b>Rs.Ninety Six Crores Only.</b>			

\* Including proposed limits of Rs.36.00Crs

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 Companies](#)
- [Short Term Debt](#)



For any other criteria obtain hyperlinks from website

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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.

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