

Press Release

Brickwork Ratings assigns ‘BWR BB+’ and ‘BWR A4+’ for the Bank Credit Facilities amounting ₹ 20 Cr of Arora Aromatics Private Limited

Brickwork Ratings (BWR) has assigned the following **Ratings¹** for the Bank credit facilities of ₹ 20.00 Crore of Arora Aromatics Private Limited.

Facility	Limits (₹ Cr)	Tenure	Rating
<u>Fund Based</u>			<i>BWR BB+</i> <i>(BWR Double B Plus)</i>
CC	1.00	Long Term	<i>Outlook:Stable</i>
PC	11.00	Short Term	<i>BWR A4+</i> <i>(BWR A Four Plus)</i>
FBP/Post Shipment Credit	8.00		
Total	20.00 (INR Twenty Crores only)		

The ratings draw support from the rich experience of the promoters, significant improvement in top-line growth in FY13, diversified product mix and benefit extended by the govt through various export incentives. The ratings are, however, constrained by volatility in input prices and low operating profit margins. However, the rating constraints are partially mitigated by company’s competitive advantages gained through favorable plant location at Sambhul with proximity to raw material sources and improvement in capital structure on the back of equity infusion by the promoters.

Background

Arora Aromatics was a proprietary concern of Mr. Arvind K Arora ,which commenced its operation in 1976. It is one of the largest manufacturers for menthol crystals in India. In FY 14 the said entity took on a corporate structure by merging with Arora Aromatics Pvt ltd.- (AAPL) which was incorporated in Apr 2012 for this purpose. It’s is engaged in manufacturing menthol crystals, peppermint oil and other essential oils which find application in the pharmaceutical, food, tobacco, and cosmetic industries.

Financial Performance

The operating income of Arora Aromatics has grown by CAGR of 40% for the last three years (figures for the previous 3 years are of the partnership firm). The company has posted YOY growth of 73% in revenue for FY13, which stood at ₹258.22 crores. The operating margins of the company are low, and have been in the range of 1% to 2% mainly on account of volatility in price of the raw material i.e. Mentha. In FY13 exports accounted for ~87% of total sales.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

The net profit margin of the Company improved to 1.25% in FY13 from 0.95% in FY12, partly on account favorable exchange rates. The profit for FY13 stood at ₹3.24 crores against ₹1.43 crores in FY12. The capital structure has been reworked, and overall Net Worth moved up significantly to Rs. 20.18 crores, in addition to Unsecured Loans from promoters to the extent of Rs. 15.25 crores. The company has no term debt, and avails only working capital borrowings. Thus, the gearing ratio is low.

Rating Outlook

The growth momentum noticed in last 2 years in the company needs to be sustained. Going forward strong demand for menthol and allied products will play a catalyst role in the growth of its top line. Increase in the scale of operations and maintaining healthy profit margins would be the key rating sensitivities.

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