



Rating Rationale

Arora Aromatics Pvt. Ltd.

8 Mar, 2017

Brickwork Ratings upgrade ratings for the Bank Loan Facilities of Arora Aromatics Pvt. Ltd. (AAPL).

Particulars

| Facility Rated | Previous Amount (Rs. Crs) | Current Review Amount (Rs. Crs) | Tenure | Previous Rating | Current rating |
|--|---------------------------|--|------------|--|---|
| Fund Based | | | | | |
| Packing Credit | 15.00 | 25.00 | Short Term | BWR A4+ (Pronounced as BWR A Four Plus) | BWR A3 (Pronounced as BWR A Three) Upgraded |
| Fund Based FBP/Post Shipment Credit | 25.00 | 35.00 | | | |
| Total | 40.00 | Rs 60.00 Crores (INR Sixty Crores Only) | | | |

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

Rating Upgraded

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The assigned rating derives comfort from the promoters' experience in the mentha oil industry, moderate tangible net worth, healthy solvency position owing to low gearing ratio at 0.38 (considering long term debt from directors as quasi equity), moderate debt protection metrics, increasing net profit margins 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 fluctuations, which could adversely affect future profit margins. Company's total operating income declined in FY15 owing to company strategy of changing its product mix and concentrating more on value added product: cis-3-hexanol, and decreasing the production of peppermint due to its lower profit margins and continuous price volatility.

Rating Outlook: Stable

BWR believes the *Arora Aromatics Pvt. Ltd.*'s 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 New Delhi. AAPL manufactures mentha crystals, peppermint oil and other essential oils which find application in the pharmaceutical, food, tobacco, and cosmetic industries. Around 80-85 % of the company’s revenue is contributed by exports.

Company Financial Performance

Total operating income has improved from Rs 105.27 Cr in FY15 to Rs 113.65 Cr in FY16 and PAT has increased from Rs 0.57 Cr to Rs 1.54 Cr. As per confirmation received from company, it has achieved turnover of Rs 126 Cr till Dec. 2016 and is expected to achieve its projected revenue of Rs 170 Cr in FY17.

Rating History for the last three years: (including withdrawn/suspended ratings)

| S.No. | Instrument/Facility | Current Rating (Year 2017) | | | Rating History | | |
|-------|-------------------------------------|----------------------------|---|-------------------|----------------|------|---------|
| | | Type | Amount (Rs Crs) | Rating | 2016 | 2015 | 2014 |
| 1. | Packing Credit | Short Term | 15.00 | BWR A3 (Upgraded) | NA | NA | BWR A4+ |
| 2. | Packing Credit (Proposed) | | 10.00 | | | | |
| 3. | FBP/Post Shipment Credit | | 25.00 | | | | |
| 4. | FBP/Post Shipment Credit (proposed) | | 10.00 | | | | |
| | | | Rs 60.00 Cr (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 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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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