

**RATING RATIONALE**

**NOREX FLAVOURS PRIVATE LIMITED**

**Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of Rs 36.70 Crs of Norex Flavours Private Limited**

**Particulars :**

Facility**	Amount (Rs in Crs)		Tenure	Rating*	
	Previous	Present		Previous (May,2019)	Present
Fund Based	9.50	6.70	Long Term	BWR BB+ (Stable)	BWR BBB- (Stable) Upgrade
Fund Based	26.00	29.00	Short Term	BWR A4+	BWR A3 Upgrade
Non Fund Based	1.00	1.00	Short Term		
<b>Total</b>	<b>36.50</b>	<b>36.70</b>	<b>Rupees Thirty Six Crores and Seventy Lakh Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of bank facilities in Annexure-I

**RATING ACTION / OUTLOOK**

Brickwork Ratings (BWR) upgrades the long-term rating to *BWR BBB- with Outlook 'Stable'* and short-term rating to *BWR A3* for the bank loan facilities of Norex Flavours Private Limited ('NFPL' or the company).

The rating continues to draw comfort from the experience of the promoters in the same line of business, adequate liquidity, improved scale of operations, comfortable gearing, current ratio and



debt protection metrics, improved net profit margins and operating cycle of the company. The rating is, however, constrained by concentration risk, raw material price volatility risk and competition.

The outlook is Stable as the company has been able to maintain growth in the topline over the years.

### KEY RATING DRIVERS

BWR has principally relied on audited financials upto FY19, FY20 provisional, projections upto FY22, publicly available information and information/clarification provided by the management.

#### Credit Strengths :

- **Experienced Promoters :** The company has a long track record of operations. . Mr. Vaibhav Agarwal, Mr. Divyanshu Agarwal, Mr. Rahul Agarwal and Ms. Sadhna Agarwal are the directors of the company and have more than a decade of experience in the same line of business.
- **Total Operating Income:** TOI has continuously grown over the years. Total operating income(TOI) has improved from Rs 141.77 Crs in FY18 to Rs 182.29 Crs in FY19 to Rs 213.70 Crs in FY20 (provisional). The company has good order book position of Rs 84.90 Crs as on 30 June 2020
- **Leverage Position and Current ratio :** The company has maintained reasonable gearing(Debt/Networth) which has improved from 1.52X in FY19 to 1.04X in FY20 (provisional). Norex has comfortable current ratio at 1.30X in FY19 and 1.41X in FY20 (provisional)
- **Debt Protection Metrics :** NFPL has comfortable debt protection metrics, having ISCR and DSCR of 3.69x and 3.27x in FY19 and 3.61x in 4.25x respectively in FY20 (provisional).
- **Improved net profit margins :** The company's net profit margins have improved from 2.14% in FY19 to 2.71% in FY20 (provisional) due to forex gains .
- **Conversion Cycle :** It has a comfortable and improved operating cycle from 72 days in FY19 to 60 days in FY20 (provisional).



### **Credit Concerns :**

- **Price Volatility Risk and Competition:** The profitability of the company is susceptible to the price volatility risk attributed to its agro-climatic risks i.e. seasonal nature and dependent on the weather conditions. The price of the raw material is also linked to the international prices of the commodity. Further competition from peers and substitutes in the market could adversely affect the profit margins of the company in future.
- **Concentration Risk :** There is concentration risk as top 5 customers contributed approx 70% of the total revenues.

### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

BWR has factored in the standalone business parameters and financial risk profile of the trust to arrive at the rating. Reference may be made to the detailed Rating Criteria hyperlinked below (hyperlinks provided at the end of this rationale).

### **RATING SENSITIVITIES**

Positive: BWR may revise the ratings upwards if there is a sizable increase in the topline and improves its operation profit to reasonable level from the current level, along with other metrics, such as liquidity, gearing, operating cycle and working capital utilisation, also favouring the upgrade.

Negative: BWR may revise the ratings downwards if the company achieves notably lower projections, and the key factors, such as profit margins, liquidity, operating cycle, debt protection metrics, current ratio of the company, deteriorate. The rating downgrade may also happen in case there is a wide variance between the provisional and audited financials for FY20.

### **LIQUIDITY POSITION (Adequate)**

Company had cash accruals(PAT +DEP) of Rs 5.66 Crs in FY19 and Rs 7.31 Crs in FY20 (provisional).The company has low fixed term liabilities against the cash accruals having CPLTD of Rs 0.77 Crs. It had Cash and Cash Equivalents of Rs 4.23 Crs at the end of March ,2020.

### **COMPANY PROFILE**

Norex Flavours Pvt Ltd, established in 1994, is a manufacturer and exporter of a wide range of essential oil & aromatic chemicals. Norex Flavours Private Limited is mainly engaged in manufacturing of Menthol and mint oils as Active Pharmaceutical ingredients (APIs). It is an ISO 9001:2008, ISO 14001:2004, FSSC 22000:2005 & WHO: GMP certified company. It is located at



Gajraula - Chandpur Rd, Dhanaura, Uttar Pradesh 110 Kms away from the Indian capital city of New Delhi, and in close proximity to the fertile fields where Norex source raw material crops.

**KEY FINANCIAL INDICATORS (Rs in Crs)**

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Total Operating Income	Rs.in Crs	141.77	182.29
OPBDIT	Rs.in Crs	7.92	8.36
PAT	Rs.in Crs	2.76	3.90
Tangible Net Worth	Rs.in Crs	15.66	19.56
Total Debt/ Net Worth	Times	2.45	1.52
Current Ratio	Times	1.13	1.30

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA**

**NON-COOPERATION WITH PREVIOUS RATING AGENCY: NA**



**RATING HISTORY FOR THE LAST 3 YEARS (INCLUDING WITHDRAWN/SUSPENDED)**

Facilities Availed	Current Rating (2020)*			(Rs. in Crs)						
	Tenure	Amount (In Crs)	Rating	31.05.2019			11.04.2018			2017
Bank Loan Fund Based (FB)	Long Term	6.70	BWR BBB- (Stable) Upgrade	FB	9.50	BWR BB+ (Stable) Upgrade	F B	9.80	BWR BB (Stable)	
Bank Loan Fund Based (FB)	Short Term	29.00	BWR A3 Upgrade	F B	26.00	BWR A4+ (Stable) Upgrade	F B	26.00	BWR A4	
Bank Loan Non Fund Based (NFB)	Short Term	1.00	BWR A3 Upgrade	N F B	1.00	BWR A4+ (Stable) Upgrade	N F B	1.00	BWR A4 (Stable)	
<b>Total</b>		36.70	<b>Rupees Thirty Six Crores and Seventy Lakhs Only</b>							

\* Rating was moved to the Rating Not Reviewed category on 01 June 2020



## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**
- **Short Term Debt**

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### Norex Flavours Private Limited

#### ANNEXURE I

#### Details of Bank Facilities rated by BWR (Rs in Crs)

S. No.	Name of the Bank	Type of Facilities	Long Term (Rs in Crs)	Short Term (Rs in Crs)	Total (Rs in Crs)
1.	SBI	CC	5.00	-	5.00
2.		Term Loan	1.70	-	1.70
3.		CCEL	-	3.00	3.00
4.		EPC	-	14.00	14.00
5.		FBP	-	8.00	8.00
6.		Stand by line of credit	-	4.00	4.00
7.		LC	-	1.00	1.00
<b>TOTAL</b>					<b>36.70</b>

**Total Rupees Thirty Six Crores and Seventy Lakh Only**



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