Camphor and Allied Products Limited

Instrument	Amount Rated (Rs. Crore)	Rating Action
Long Term - Term Loans	14.00 (revised from Rs. 68.00 crore)	[ICRA]BBB+ (Stable) reaffirmed
Long Term / Short Term - Fund Based/ Non-fund based	101.00 (revised from Rs. 26.00 crore)	[ICRA]BBB+ (Stable)/[ICRA]A2 reaffirmed
Short-Term – Fund Based/ Non-fund based	Rs. 35.00 crore (revised from Rs. 60.00 crore)	[ICRA]A2 reaffirmed
Short-Term - Non-fund based	Nil (revised from 1.70 crore)	-
Long Term / Short Term- Unallocated Limits	5.70	[ICRA]BBB+ (Stable)/[ICRA]A2 assigned
Total Limits	**155.70**	

ICRA has reaffirmed the long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) assigned to the Rs. 14.00 crore[1] (revised from Rs. 68.00 crore) term loan facility of Camphor and Allied Products Limited (CAPL)[2]. The outlook on the long term rating is 'Stable'. ICRA has also reaffirmed the short-term rating of [ICRA]A2 (pronounced ICRA A two) assigned to Rs. 35.00 crore (revised from Rs. 60.00 crore) short-term, fund-based/ non-fund based facilities of the company. ICRA has also reaffirmed the ratings of [ICRA]BBB+ (Stable)/[ICRA]A2 assigned to Rs. 101.00 crore (revised from Rs. 26.00 crore) long-term/ short-term fund-based/ non-fund based bank facilities of the company. The ratings of [ICRA]BBB+ (Stable)/[ICRA]A2 have also been assigned to Rs. 5.70 crore unallocated limits of CAPL.

Rating Rationale

The ratings reaffirmation continues to factor in the CAPL's established presence in its product categories and its comfortable financial risk profile reflected in in stable capital structure and debt coverage indicators. The company has also benefited from declining raw material prices in the past eighteen months thus improving its operating margins to FY2014 levels. ICRA also takes note of successful commercialisation of its Astro-Musk product unit at Baroda during FY 2014 and supply agreement with US-based International Flavours and Fragrances Inc for fragrance ingredient intermediates which has supported volume growth. The ratings also factor in the expected improvement in capacity for aroma chemicals post acquisition of certain technical know-how from Arofine Chemical Industries and Vaishnavi Chemicals Private Limited in FY 2016 which is expected to support revenue growth. ICRA also takes comfort from the continued healthy market share across key product segments such as camphor, diverse product line meeting requirements of reputed clients present in diverse industries.

The ratings, however, continues to remain constrained by on-going capital expenditure at its manufacturing facilities which is expected to keep the debt metrics in check. Additionally, high working capital intensive nature of business operations and volatility in raw material prices, with high dependence on a single raw material (Alpha Pinene, which has seen high volatility in price movements over the past) remain key challenges. Nonetheless, the company has taken active steps to reduce the dependence and increase supplier base by increasing focus on Astro-Musk sales since last three fiscals.

ICRA has also taken note of the approval by the Board of Camphor and Allied Products Limited (CAPL), in which 57.66% equity stake is held by Oriental Aromatics Limited (OAL), on the Scheme of Amalgamation of OAL with itself. The appointed date of amalgamation is April 1, 2016, and the amalgamation is subject to approval by the High Court and other such authorities (as may be necessary). The proposed amalgamation of Oriental Aromatics Limited with CAPL is expected to provide synergistic benefits, improve scale and sustained

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[1] 100 lakh = 1 crore = 10 million

[2] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

improvement in profitability which shall remain key rating monitorables. ICRA has factored in the consolidated financial risk profile of CAPL and OAL which remains comfortable with estimated gearing of ~0.5 times as on March 31, 2016 and Total debt/OPBIDTA of ~1.9 times.

Company Profile

Camphor and Allied Products Limited (CAPL) is one of the largest domestic manufacturers of a variety of terpene chemicals and other speciality aroma chemicals. Its product range includes Synthetic Camphor, Terpineols, Pine Oils, Resins, Astrolide, and other chemicals finding applications in a vast array of industries ranging from Flavours & Fragrances, Pharmaceuticals, Soaps & Cosmetics, Rubber & Tyre, Paints & Varnishes etc. The company is a pioneer in the field of Terpene chemistry in India since 1964, having established the first Synthetic Camphor plant with technical support from DuPont of USA. The company has three manufacturing facilities, one at Clutterbuckganj, Bareilly in Uttar Pradesh, and two at Nandesari, Vadodara in Gujarat. CAPL is public listed company with Oriental Aromatics Limited (Parent company) having 57.66% equity stake.

Recent Results

CAPL reported an operating income of Rs. 352.40 crore and profit after tax of Rs. 22.69 during FY 2016 as against an operating income of Rs. 355.79 crore and profit after tax of Rs. 19.26 crore during FY 2015.

In H1 FY2017, CAPL reported operating income of Rs. 178.16 crore and profit after tax of Rs. 12.10 crore.

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