

July 15, 2025

Oriental Aromatics Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term- Fund based Term Loan	28.33	15.00	[ICRA]A-(Stable); reaffirmed
Long-term/Short-term- Fund-based/ Non-fund based	345.55	348.00	[ICRA]A-(Stable)/ [ICRA]A2+; reaffirmed
Long-term/Short-term – Unallocated Limits	-	10.88	[ICRA]A-(Stable)/ [ICRA]A2+; reaffirmed
Total	373.88	373.88	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of the ratings of Oriental Aromatics Limited (OAL) factors in the company's established market position in the Indian camphor and aroma chemical industry, its diversified product mix and exposure to different end-user industries. Further, the capex undertaken last year for the Baroda facility and the greenfield project at Mahad, Maharashtra, are expected to support revenue growth over the longer term.

ICRA notes that FY2024 was marked by consistent pressure on operating margins, primarily due to a substantial increase in domestic production capacities and a significant influx of camphor imports from China. Additionally, weak demand in the European and American markets constrained realisations and profitability in the aroma chemicals segment. These challenging conditions led to inventory build-up and lower capacity utilisation, further impacting margins. However, the situation showed signs of improvement in FY2025. Demand conditions have begun to stabilise, leading to better capacity utilisation and easing margin pressures. As a result, the company reported improved profitability in FY2025, with steady enhancement expected thereafter. Additionally, the company undertook a capital expenditure that was primarily financed through debt, resulting in continued dependence on external borrowings. The elevated debt levels, combined with pressures on profitability, had weakened the debt protection metrics in FY2024. However, with the recovery in FY2025, these metrics have shown some improvement, and further strengthening is anticipated going forward.

The ratings also remain constrained by the vulnerability of profitability to fluctuations in raw material prices and the adverse forex movements due to significant raw material imports. However, the forex risk is partly mitigated by the natural hedge from exports. The ratings also consider the high working capital intensity of OAL's business operations, along with intense competition from other established players in the industry as well as imports.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and established market position in chemical industry - The Bodani family (promoters) has extensive experience in the chemical industry. Hence, the company continues to benefit from its promoters' experience and its position as one of the leading players in the Indian aromatic chemical and camphor market.

Reputed client base with diverse product mix catering to different industries - OAL has a diverse product mix catering to different industries, such as personal care, food processing, pharmaceutical and industrial purposes, providing a cushion

against demand fluctuations in a specific industry. Over the years, the company has established strong relationships with several reputable companies, resulting in repeat business.

Credit challenges

Vulnerability of profitability to volatility in raw material prices and foreign exchange fluctuations - Raw material costs constitute approximately 60% of OAL's revenue, making its profitability sensitive to fluctuations in input prices. The company's primary raw material, alpha-pinene, has historically experienced significant price volatility. In addition, ICRA notes that OAL engages in fixed-price contracts with certain customers, constraining its ability to immediately pass on rising input costs. Further, the company is exposed to forex fluctuation risks owing to significant exports and imports, though the risk is partly mitigated by a natural hedge. It keeps its foreign currency receipts in an EEFC account and makes payments for its imports from that account only, thereby creating a natural hedge to a large extent. The company has adequately passed on fluctuations in raw material prices to its customers in the camphor segment.

High working capital intensity - The working capital intensity of operations remains elevated (NWC/OI of around 57%) because of OAL's high inventory holding period and debtor days. Inventory levels remain high owing to the large number of products in the fragrance segment, where it is maintained for 5–6 months. These items are largely purchased in bulk, leading to higher inventory levels. For Bareilly and Baroda, the company typically keeps 2–3 months of raw material inventory. The company maintained its production activities despite subdued market realisations, temporarily halting powder sales. This led to an inventory build-up of approximately 400 tonnes. Sales have resumed with recent improvements in pricing. As a result, inventory levels remain elevated but are anticipated to normalise over the next 3–4 months. Further, the company typically makes spot purchases from vendors, with no long-term contracts, and the payments are also on sight; some credit is availed through letters of credit, which are sometimes rolled over to buyers' credit. OAL gives a credit period of 120–150 days for exports and 180 days for some customers in speciality chemicals and fragrances, thereby keeping debtor days high. However, there are no challenges in recovering receivables.

Intense competition from domestic manufacturers and imports – In the Indian market, competition in camphor and aromatic chemicals is driven by both domestic players and international suppliers. The flavours and fragrances segment also sees strong competition from established industry groups. Additionally, Chinese manufacturers have historically posed significant competitive pressure, particularly in camphor. However, this influence has waned in recent years due to stricter environmental regulations in China.

Environmental and social risks

OAL, being present in the chemical industry, is exposed to the risk of tightening regulations on environment and safety and potential penalties in case of any non-compliance. However, as per the disclosures in the audit report, the company is environmentally compliant and adheres to various industry standards. Further, it has appropriate waste management systems across its facilities. The company is also compliant with environmental law/regulations pertaining to water and air pollution.

The company's exposure to social risks mainly pertains to safe operations and remaining compliant to all environmental regulations to ensure the safety of employees and the community in the vicinity of its manufacturing units. As per the disclosures, the company has safety equipment in place at its units.

Liquidity position: Adequate

OAL's liquidity is expected to remain adequate, supported by undrawn lines of credit, even as the working capital requirement is expected to remain elevated amid high working capital intensity. Nevertheless, ICRA notes that the utilisation of the company's fund-based limits has remained low, with average utilisation of ~69% in the last 12 months. This leaves an average buffer of around Rs. 100 crore in the limits, along with cash balances of around Rs. 10 crore, providing a cushion to its liquidity.

Rating sensitivities

Positive factors – ICRA could upgrade OAL’s ratings if there is a consistent growth in turnover and profit generation, along with an improvement in the working capital cycle, translating into better debt protection metrics and liquidity profile.

Negative factors – Pressure on the ratings could arise in case of a significant decline in the operating income and profitability that would weaken the debt protection metrics and stretch the working capital cycle, impacting OAL’s liquidity profile.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidation For arriving at the ratings, ICRA has combined the business and financial risk profiles of Oriental Aromatics Limited (OAL) and its subsidiary, Oriental Aromatics and Sons Limited, as the entities are owned and managed by the same promoters and are involved in related business sectors

About the company

OAL is a publicly listed company, manufacturing a variety of terpene chemicals, camphor, speciality aroma chemicals, fragrances and flavours. Its product range includes synthetic camphor, terpineol, pine oil, resins, astromusk, perfumery chemicals, fragrances and flavours, and other chemicals used in different industries (such as pharmaceuticals, soaps and cosmetics, rubber and tyres, paints and varnishes, and fast-moving consumer goods, or FMCG). The company has three manufacturing plants at Nandesari (Vadodara, Gujarat), Bareilly (Uttar Pradesh) and Ambernath (Maharashtra). It is currently setting up a new unit at Mahad, Maharashtra, under its wholly-owned subsidiary, Oriental Aromatics and Sons Limited.

Key financial indicators (audited)

Oriental Aromatics Limited (consolidated)	FY2024	FY2025
Operating income	836.40	928.26
PAT	9.10	34.33
OPBDIT/OI	5.61%	10.06%
PAT/OI	1.09%	3.70%
Total outside liabilities/Tangible net worth (times)	0.57	0.73
Total debt/OPBDIT (times)	4.37	3.77
Interest coverage (times)	2.30	3.68

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)					Chronology of rating history for the past 3 years							
					FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating		
Term Loan	Long-Term	15.00	Jul 15, 2025	[ICRA]A-(Stable)	Jul 16, 2024	[ICRA]A-(Stable)	Jun 08, 2023	[ICRA]A-(Stable)	Jan 20, 2023	[ICRA]A (Negative)		
Fund-based/ Non-fund based	Long-Term/Short-Term	348.00	Jul 15, 2025	[ICRA]A-(Stable)/[ICRA]A2+	Jul 16, 2024	[ICRA]A-(Stable)/[ICRA]A2+	Jun 08, 2023	[ICRA]A-(Stable)/[ICRA]A2+	Jan 20, 2023	[ICRA]A (Negative)/[ICRA]A2+		
Unallocated Limits	Long-Term/Short-Term	10.88	Jul 15, 2025	[ICRA]A-(Stable)/[ICRA]A2+	-	-	-	-	-	-		

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term- Fund based Term Loan	Simple
Long-term/Short-term- Fund-based/ Non-fund based	Simple
Long-term/Short-term Unallocated Limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long term- Fund based Term Loan	Jun 08, 2021	3M Repo + 1.5%; 3M T Bill + 2.09%	Jun 30, 2026	15.00	[ICRA]A-(Stable)
NA	Long-term/Short-term-Fund-based/ Non-fund based	NA	NA	NA	348.00	[ICRA]A-(Stable)/ [ICRA]A2+
NA	Long-term/Short-term Unallocated limits	NA	NA	NA	10.88	[ICRA]A-(Stable)/ [ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Oriental Aromatics and Sons Limited	100.00%	Full consolidation

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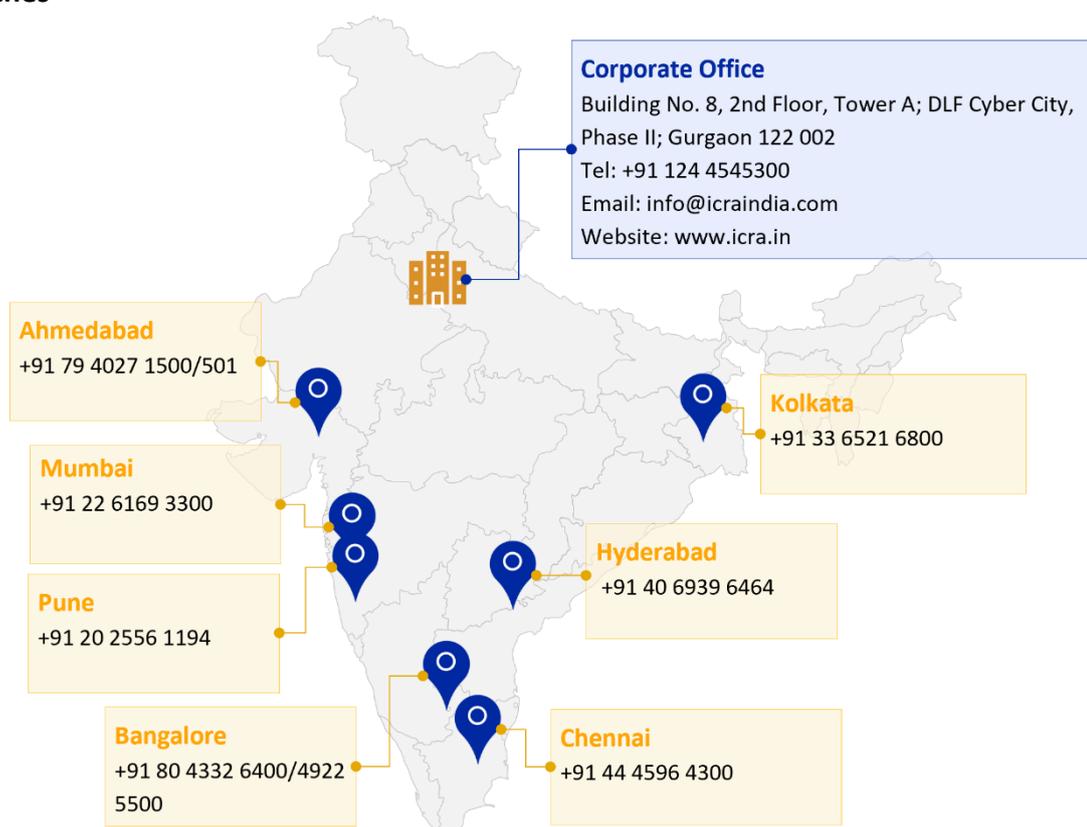
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