February 23, 2026

Oriental Aromatics Limited: Rating reaffirmed and outlook revised to Negative

Summary of rating action

Instrument^	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term - Fund-based - Term loan	13.33	13.33	[ICRA]A- (Negative); reaffirmed and outlook revised to Negative from Stable
Long-term/Short-term - Fund-based/Non-fund based - Others	380.00	380.00	[ICRA]A- (Negative) /[ICRA]A2+; reaffirmed and outlook revised to Negative from Stable
Total	**393.33**	**393.33**	

^Instrument details are provided in Annexure I

Rationale

While assigning the credit ratings of Oriental Aromatics Limited (OAL), ICRA has taken a consolidated view of Oriental Aromatics Limited and its subsidiary Oriental Aromatics & Sons Limited (OASL), given the common management team and significant operational linkages between the companies.

The ratings of OAL factor 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 done at the Baroda facility and the greenfield project at Mahad in Maharashtra are expected to support the revenue growth over the longer term.

The revision in outlook factors in the weaker than anticipated operating performance in 9MFY2026. While there was a ~11% YoY rise in consolidated revenues to ~Rs. 748 crore, EBITDA margin moderated to ~6.5% (as against 10.85% in 9M FY2025) and the company reported a small consolidated net loss, driven by subdued realisations in specialty aroma ingredients, sequential softness in camphor volumes, and continued losses at the Mahad unit which is still ramping up. In addition, inventory build-up amid weak pricing and slower offtake has elevated working-capital intensity and tied up liquidity, further constraining operating cash flows.

Debt-funded capex and the moderation in profitability have kept debt-protection metrics modest, notwithstanding some improvement seen earlier.

The ratings also remain constrained by the vulnerability of profitability to the fluctuations in raw material prices and the adverse forex movements due to significant raw material imports, although 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.

The Negative outlook reflects the risk that margins, cash flows, and working capital stretch including high inventories may persist in the near term, delaying the expected improvement in profitability and leverage. A sustained recovery across key product segments, normalisation of inventories and working-capital cycle, stabilisation of operating margins, and timely ramp-up at Mahad will be critical for a revision of the outlook.

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 a 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 cushion against the 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. Given the pricing pressure, especially in the aroma chemicals segment, the company has witnessed a steep moderation in its operating margins in the current fiscal (~6.5% in 9M FY2026, down from ~10.9% in 9M FY2025).

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 the 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 60%) because of OAL's high inventory holding period and debtor days. The inventory levels remain high at 5-6 months owing to the large number of products in the fragrance segment. 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 the recent improvements in pricing. As a result, the 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 the debtor days high. However, there are no challenges in recovering the receivables.

Intense competition from domestic manufacturers and imports – In the Indian market, competition in camphor and aroma chemicals remains intense, driven by both established domestic manufacturers and global suppliers. The flavours and fragrances segment also faces strong competition from large, well-entrenched industry players. Chinese manufacturers continue to exert significant pricing pressure, particularly in commodity aroma ingredients and camphor, as their low-cost products remain aggressively priced in export markets. While earlier expectations suggested that stricter environmental norms in China would limit their supply, this has not materially reduced competitive intensity; Chinese volumes and pricing continue to influence market dynamics, keeping realisations under pressure.

Environment 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 with 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 likely to stay elevated amid high working capital intensity. Nevertheless, ICRA notes that the utilisation of the company's fund-based limits has remained moderate with an average utilisation of ~75-80% in the last 12 months, along with cash balances of around Rs. 2.14 crore as on 30th Sep 2025 providing buffer to its liquidity.

Rating sensitivities

Positive factors - The outlook can be revised to Stable if there is a consistent growth in turnover and profit generation along with improvement in the working capital cycle translating into improved 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	[Chemicals](#) [Corporate Credit Rating Methodology](#)
Parent/group Support	Not Applicable
Consolidation/standalone	For arriving at the ratings, ICRA has taken a consolidated view of Oriental Aromatics Limited (OAL) and its subsidiary, Oriental Aromatics and Sons Limited (OASL), as the entities are owned and managed by the same promoters and are involved in related business sectors and OASL is an extended arm of OAL.

About the company

OAL is a 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).

Oriental Aromatics & Sons Limited is a public limited company incorporated on December 27, 2019. It operates as a wholly-owned subsidiary of Oriental Aromatics Ltd. In November 2024, the company commissioned a new manufacturing facility at Mahad to produce specialised aroma chemicals. This plant has an annual production capacity of 250 metric tonnes.

Key financial indicators (audited)

Oriental Aromatics Limited (Consolidated)	FY2024	FY2025	9MFY2026*
Operating income	836.4	928.3	748.4
PAT	9.1	34.3	-0.7
OPBDITA/OI	5.6%	10.1%	6.5%
PAT/OI	1.1%	3.7%	-0.1%
Total outside liabilities/tangible net worth (times)	0.6	0.7	-
Total debt/OPBDITA (times)	4.4	3.8	-
Interest coverage (times)	2.3	3.7	1.8

*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; * provisional numbers*

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for past three years

Instrument	Current year (FY2026)			Chronology of rating history for the past 3 years							
				FY2026		FY2025		FY2024		FY2023	
	Type	Amount rated (Rs. crore)	Feb 23, 2026	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based /Non-fund based	Long-term/ Short-term	380.00	[ICRA]A- (Negative) /[ICRA]A2+	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+
				Oct 15, 2025	[ICRA]A-(Stable)/ [ICRA]A2+						
Term Loans	Long-term	13.33	[ICRA]A- (Negative)	Jul 15, 2025	[ICRA]A-(Stable)	Jul 16, 2024	[ICRA]A-(Stable)	Jun 08, 2023	[ICRA]A- (Stable)	Jan 20, 2023	[ICRA]A (Negative)
				Oct 15, 2025	[ICRA]A-(Stable)						

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

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	**Term loan**	Jun 08, 2021	3M Repo + 1.5%; 3M T Bill + 2.09%	Jun 30, 2026	13.33	[ICRA]A- (Negative)
NA	**Fund based /Non-fund based**	NA	NA	NA	380.00	[ICRA]A- (Negative)/[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

Source: Company

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