April 17, 2025

DRT-Anthea Aroma Chemicals Private Limited: Rating upgraded and removed from rating watch with developing implications

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Short term – Fund-based – Overdraft	3.00	0.00	-
Short term – Unallocated	0.00	5.00	[ICRA]A2+; rating upgraded from [ICRA]A2 and removed from rating watch with developing implications
Short term – Fund-based – Others	82.00	0.00	-
Short term – Fund-Based/Non-fund based – Other	0.00	70.00	[ICRA]A2+; rating upgraded from [ICRA]A2 and removed from rating watch with developing implications
Short term – Non-fund based – Letter of credit	24.00	10.00	[ICRA]A2+; rating upgraded from [ICRA]A2 and removed from rating watch with developing implications
Total	**109.00**	**85.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating assigned to the working capital borrowings of DRT-Anthea Aroma Chemicals Private Limited (DAACPL/the company) has been removed from rating watch with developing implications and has simultaneously been upgraded. The upgrade has been driven primarily by an improvement in the credit profile of the Anthea Group {which comprises DAACPL, Catasynth Specialty Chemicals Private Limited (CSCPL) and Anthea Aromatics Private Limited (AAPL)}, post the infusion of funds by India Resurgence Fund (IRF) in Anthea Aromatics Private Limited (AAPL), the holding company for the Group. The fund infusion has enabled CSCPL to clear its overdue liabilities towards the operational and financial creditors. CSCPL is also working towards reviving its plants with the funds infused by IRF and expects to restart the plant by the end of CY2025.

The rating had earlier been put on watch with developing implications because of the change in the ownership of the Anthea Group. IRF, which is a distressed investment platform promoted by Bain Capital Credit (BCC) and Piramal Enterprises Limited (PEL, rated [ICRA}AA (Stable)), has acquired 88% shareholding (on a fully dilutive basis) in AAPL, which is the holding company for CSCPL and DAACPL. AAPL now holds 100% equity ownership in CSCPL (74.9% earlier) and 75.0% equity stake in DAACPL. With the infusion of funds by IRF into the Group, the Anthea Group has cleared its overdue liabilities towards operational creditors and financial creditors under CSCPL, which had been delaying its payments for its debt servicing obligations since December 2022. The loan under CSCPL was refinanced in November 2024.

The rating continues to factor in the long & established track record of the Anthea Group in the flavours and fragrance (F&F) segment and the long-term supply contract with the JV partner (Les Derives Resiniques Et Terpeniques, DRT), ensuring adequate offtake and a healthy financial risk profile for the company. DAACPL is a JV between Anthea Aromatics Private Limited (Anthea) and DSM-Firmenich (earlier the JV partner was Les Derives Resiniques Et Terpeniques, DRT, which was acquired by Firmenich International SA, which in turn later merged with Royal DSM N.V. to form DSM-Firmenich). The Anthea Group has been engaged in the F&F business for more than three decades, while DSM-Firmenich is a major Europe-based global supplier of flavour & fragrance chemicals.

DAACPL has recently renewed its long-term supply agreement with DSM-Firmenich wherein it meets nearly 85% of the requirement of anthamber and dihydromyrcenol (DHM), the key inputs used by DSM-Firmenich in its end products. This provides revenue and cash flow visibility for the company, as over 70% of the revenue is derived from this supply agreement.. Given the healthy ramp-up of production and offtake by DSM-Firmenich over the last couple of years, the company's cash generation has been healthy and the financial risk profile remains robust.

In FY2025, ICRA expects DAACPL to post healthy operating profits after its operations normalised in H2 FY22025. In H1 FY2025, the operations were impacted by malfunction of an effluent treatment plant (ETP). Going forward as well, ICRA expects DAACPL to benefit from the supplies under the long-term contract which assures volume offtake and stable profitability. ICRA also notes that DAACPL paid nearly 100% of its net profit as dividend in FY2024 and will be paying a sizeable portion of its net profits as dividends in the future too, under the newly formulated dividend policy. ICRA expects DAACPL's liquidity position to remain healthy despite the sizeable dividend payouts, given the healthy cash balances at hand, the unutilised working capital, no long-term debt repayments and a modest capex plan. However, any larger-than-expected fund outflow to the group entities impacting the company's overall liquidity profile will remain a key monitorable, going forward.

The rating remains constrained by the company's working capital-intensive operations, the susceptibility of its profit margin to fluctuation in raw material prices and the high customer and product concentration risk. In addition, the company is largely export-oriented, exposing its profitability to the volatility in foreign exchange fluctuations. Raw material imports provide a natural hedge to some extent from the fluctuation in foreign exchange prices. The rating is also constrained by the modest, although improving credit profile, of the Anthea Group. The CSCPL plant is expected to restart by the end of CY2025, keeping the Anthea Group's credit profile under pressure. While DAACPL's standalone credit profile remains healthy, the Group's credit profile constrains the company's rating.

Key rating drivers and their description

Credit strengths

Experienced management and established track record of the Group; sourcing, supply and offtake arrangement with JV partner, which is a global F&F major – The company benefits from the experience of the Menachary family in the F&F business of nearly three decades. Additionally, with IRF coming on board, several new management personnel with extensive experience in the F&F and process chemical industries have joined the Anthea Group. DAACPL is expected to benefit from the presence of the experienced management of the Anthea Group. While the JV partner has reduced its stake in DAACPL to 25% in December 2024, the long-term supply contract will continue going forward. Under the renewed long-term supply agreement with DSM-Firmenich, DAACPL will continue to meet nearly 85% of the requirement of anthamber and dihydromyrcenol (DHM) for DSM-Firmenich, the key inputs used by it in its end products. This provides revenue and cash flow visibility for the company as over 70% of the revenue is derived from this supply agreement.

Healthy capital structure and coverage indicators- The financial risk profile remains comfortable with healthy operating margins, a stable capital structure and satisfactory coverage indicators. There has been a modest growth in revenues as the capacity remains optimally utilised. However, the easing of freight costs helped improve the operating margin to 20.1% in FY2024 from 16.6% in FY2023. The company's debt profile comprises entirely of the working capital debt and the interest coverage ratio remained robust at 15.5x in FY2024 against 12.0x in FY2023. The leverage indicator also remains healthy with TD/OPBDITA at 0.3x as on March 31, 2024, against 0.5x as on March 31, 2023. The capital structure was comfortable with gearing of 0.1x as on March 31, 2024, and healthy coverage metrics with interest coverage of 15.5x and TOL/TNW of 0.5x for FY2024. In 11M FY2025, DAACPL has posted Rs. 72.4 crore of EBITDA with a revenue of Rs. 466.4 crore.

Credit challenges

High customer and product concentration risk - DAACPL derives majority of its revenue from the sale of two products, which are sold majorly to Firmenich under the long-term contract. Hence, DAACPL's cash flows will get impacted if DSM-Firmenich reduces the offtake of key products . However, given the end user demand for Firmenich's products witnessing growth at stable rates, ICRA expects the offtake to remain healthy from DAACPL.

Susceptibility of profit margins to volatility in raw material prices and forex risks - DAACPL's margins remain exposed to the volatility in raw material prices which can impact its margins on non-DRT sales, as the margins on the sales to Firmenich are fixed for six months. A major share of DAACPL's revenue is derived from exports. A major share of the forex risk is covered by the natural hedge provided by the import of raw material. Yet, the company remains exposed to foreign exchange risk as it does not hedge its net forex exposure.

Working capital-intensive operations - The company's operations are working capital-intensive because of the high inventory levels it has to maintain for raw materials as majority of the raw materials are imported, resulting in elevated inventory days. As a major share of the revenues is derived from export sales, the credit period offered to the customers remains slightly higher. Thus, the overall working capital intensity is expected to remain in the range of 25-30%, going forward, as well.

Modest credit profile of the Group- DAACPL is a part of the Anthea Group which is engaged in the F&F business. CSCPL defaulted in meeting its debt servicing obligations in the past, besides being unable to ramp up its operations. This moderated CSCPL and AAPL's credit profile over the course of FY2022 to H1 FY2025. The overall credit profile of the Group improved after IRF acquired a majority stake in AAPL in October 2024 and CSCPL discharged all its overdue liabilities. However, the overall Group credit profile remains modest as the operations of CSCPL are yet to start.

Liquidity position: Strong

ICRA expects DAACPL's liquidity to remain strong, going forward, supported by Rs. 75.5 crore of free cash as on March 31, 2024, cushion in the working capital limits, no debt repayments and modest capex plans. ICRA expects the cash outflow to the group entities to remain limited to the dividend payouts as per the dividend policy. The liquidity position will be supported by the existing cushion in the liquidity, which is expected to continue, going forward.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if there is a sustained improvement in the Anthea Group's overall credit profile. A significant scale-up in the company's revenues and profitability, along with a diversification in its customer profile, on a sustained basis will also support an upgrade.

Negative factors –The rating could be revised downwards in case of any adverse impact on the company's revenue/profitability, resulting in a deterioration of the debt protection metrics. Any deterioration in the working capital cycle, adversely impacting the company's liquidity position, can trigger a downward rating revision. Any material cash outflow from DAACPL to the Anthea Group/group entities will weigh on DAACPL's liquidity or credit profile and may warrant a downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financials of the company

About the company

DRT Anthea Aromatics Private Limited (DAACPL) is a joint venture between AAPL and Les Derives Resiniques et Terpeniques (DRT France - a world leader in terpene chemistry) and manufactures a range of terpene-based aromatic chemicals such as anthamber, dihydromyrcene, geraniol, nerol etc. used in the F&F industry i.e. the homecare segment – soaps, detergents, handwash and perfumeries.

AAPL has increased its shareholding in DAACPL to 75% in FY2025. The company has two manufacturing facilities at Roha in Maharashtra. The total annual production capacity is 20,520 MT. In June 2020, Firmenich S.A. acquired 100% equity stake in DRT {from Ardian (PE), Tikehau Capital (AMC) and family shareholders}, thereby becoming a JV partner in DAACPL. Firmenich had an equal merger with DSM in May 2023, forming a single entity, DSM Firmenich.

Key financial indicators (audited)

DAACPL Standalone	FY2023	FY2024
Operating income	506.9	535.5
PAT	45.4	61.4
OPBDIT/OI	16.6%	20.1%
PAT/OI	8.9%	11.5%
Total outside liabilities/Tangible net worth (times)	0.5	0.5
Total debt/OPBDIT (times)	0.7	0.3
Interest coverage (times)	12.0	15.5

Status of non-cooperation with previous CRA:

CRA's	PR date	Rating
CARE	April 07, 2025	CARE BB+(Stable)/CARE A4+; ISSUER NOT COOPERATING

Any other information: None

Rating history for past three years

	Current (FY2026)				Chronology of rating history for the past 3 years					
	FY2025				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Apr 17 2025		Date	Rating	Date	Rating	Date	Rating
Overdraft	Short term	0.00	-		Oct 28, 2024	[ICRA]A2; rating watch with developing implications	Jul 26, 2023	[ICRA]A2	-	-
Unallocated	Short term	5.00	[ICRA]A2+			-	-			
Fund-based	Short term	0.00	-		Oct 28, 2024	[ICRA]A2; rating watch with developing implications	Jul 26, 2023	[ICRA]A2	-	-
Fund-based/Non-fund based	Short term	70.00	[ICRA]A2+			-	-	-		
Letter of credit	Short term	10.00	[ICRA]A2+		Oct 28, 2024	[ICRA]A2; rating watch with developing implications	Jul 26, 2023	[ICRA]A2	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Short term – Unallocated	Not Applicable
Short term – Fund-based/Non-fund based – Other	Simple
Short term – Non-fund based – Letter of credit	Very 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	Unallocated	NA	NA	NA	5.00	[ICRA]A2+
NA	Fund-Based/Non-fund based - Other	NA	NA	NA	70.00	[ICRA]A2+
NA	Letter of credit	NA	NA	NA	10.00	[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 – Not Applicable

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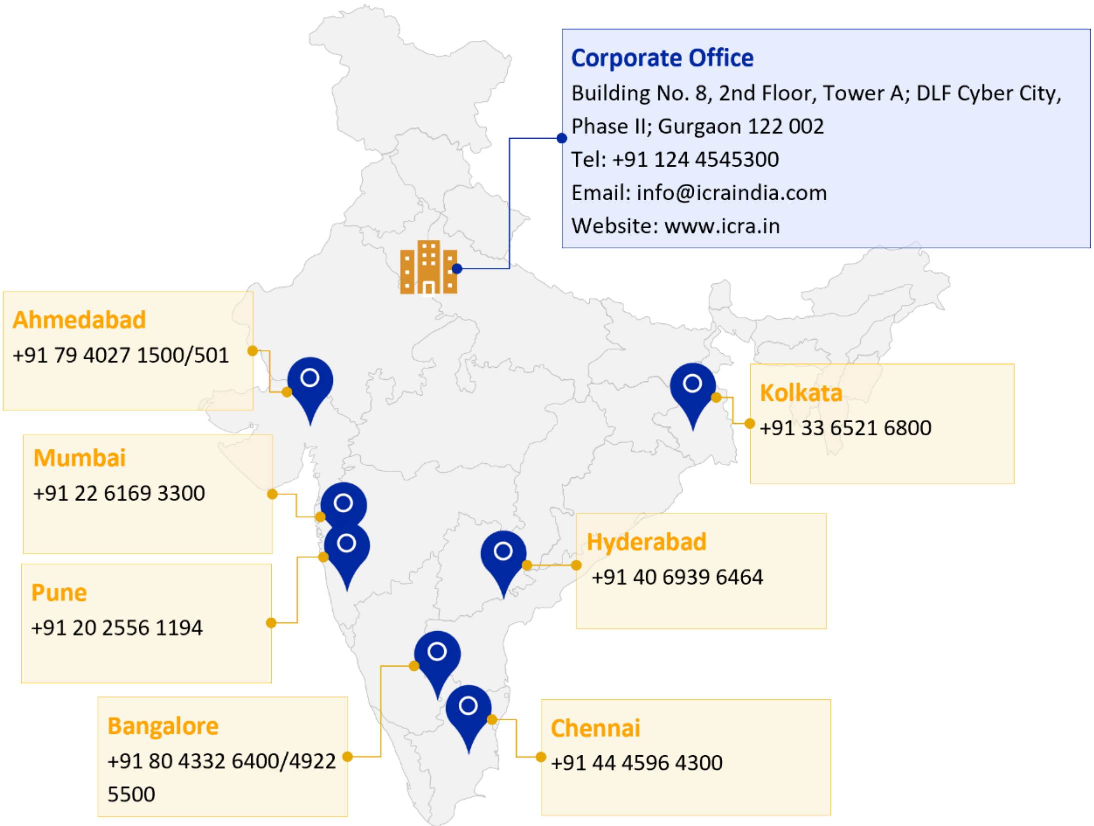

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