



Oriental Aromatics Limited

Instrument	Amount (Rs. Crore)	Rating Action
Long Term - Fund Based TL	15.00	Revised to [ICRA]BBB+ (Stable) from [ICRA]BBB (Stable)
Long Term / Short Term - Fund Based	26.00	Revised to [ICRA]BBB+ (Stable) from [ICRA]BBB (Stable)/ [ICRA]A2 reaffirmed

Source: ICRA

ICRA has upgraded the rating assigned to Rs. 15.0 crore^{*} long-term loans of Oriental Aromatics Limited ('OAL' or the company) to [ICRA]BBB+ (pronounced ICRA triple B plus) from [ICRA]BBB (pronounced ICRA triple B). ICRA has also upgraded the long term rating outstanding on the Rs. 26.0 crore[†] long-term/ short-term fund based facilities of OAL to [ICRA]BBB+ (pronounced ICRA triple B plus) from [ICRA]BBB (pronounced ICRA triple B) and reaffirmed the short term rating at [ICRA]A2 (pronounced ICRA A two). The outlook on the long term rating is stable.

The rating revision takes into account the improvement in profitability indicators during past two fiscals driven by stabilization in raw material prices and consolidation of operations at single facility in Ambernath since FY 2014, which has resulted in an improvement in fixed cost structure. The new facility at Ambernath is set up as per international quality and safety standards; Halaal and ISO certifications have been obtained for the same during current fiscal which will comply with export norms in a better way. ICRA also continues to derive comfort from consistently low leverage in the past which provides adequate financial flexibility. The company also benefited from the sale of business of OAL Inc and realisation from sale of its Daman plant proceeds from which were reinvested in setting up its new plant at Ambernath. Further sale of Mangalore plant concluded in May 2015 for a consideration of Rs. 3.05 crore will aid the financial profile of the company. Being a player in a niche industry with high entry barriers requiring strong technical know-how, the company's operating margins have remained comfortable. The rating continues to factor in strong technical expertise and know-how developed by the management operating in the niche flavours and fragrance industry for more than five decades, strong client profile with long standing relationships build on quality and consistency of product delivery and strong capital structure with healthy coverage ratios.

Nonetheless, the ratings continue to remain constrained on account of the current small scale of operation and competition faced from larger domestic and international flavours and fragrance players, high inventory holding requirement leading to high working capital intensity of operations and vulnerability to margins of operations from raw material price fluctuations. Also, the growth potential for flavours and fragrances sales in India has saturated to some extent as this segment witnesses a customer lock-in once a product is launched with a particular Fragrance/ Flavour.

Company Profile

Incorporated in 1955, Oriental Aromatics Limited (OAL) is a 100% owned and managed by the third generation of Bodani Family. The company operates in a niche aroma chemicals industry providing blended aroma fragrance, flavours and other perfumery chemicals to several FMCG majors such as Godrej Soaps, Godrej Sara Lee, Bajaj Consumer Products, Dev's Medical, Nirma, among most others.

Till FY 2014, OAL operated out of two owned facilities in Mangalore (100% EOU) and Daman. In order to consolidate operations and have better control over daily activities, the promoters of OAL started shifting operations from Mangalore and Daman in phases to at a single factory in Ambernath. The company's plant in Ambernath started operations with effect from April 2014. OAL obtained ISO 9001:2008 and ISO 22000:2005 certification for the Ambernath plant in July 2015.

^{*} 100 lakh = 1 crore = 10 million

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



Recent Results

For the twelve months ended March 31, 2015, as per provisional numbers, OAL reported a profit after tax (PAT) of Rs. 13.13 crore on an operating income (OI) of Rs. 108.03 crore as against a PAT of Rs.14.66 crore on an OI of Rs. 97.65 crore for the twelve months ended March 31, 2014.

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