

Oriental Aromatics Limited

Instrument	Amount Rated (Rs. Crore)	Rating Action
Long Term - Term Loans	5.00 (revised from Rs. 15.00 crore)	[ICRA]BBB+ (Stable) reaffirmed
Long Term / Short Term - Fund Based/Non-Fund Based	32.00 (revised from Rs. 26.00 crore)	[ICRA]BBB+ (Stable)/[ICRA]A2 reaffirmed
Long Term / Short Term – Unallocated Limits	4.00	[ICRA]BBB+ (Stable)/[ICRA]A2 assigned
Total Limits	41.00	

ICRA has reaffirmed the long-term rating of [ICRA]BBB+ (pronounced ICRA triple B plus) assigned to the Rs. 5.00 crore¹ (revised from Rs. 15.00 crore) term loan facility of Oriental Aromatics Limited (OAL)². The outlook on the long term rating is 'Stable'. ICRA has also reaffirmed the long-term/short-term rating of [ICRA]BBB+(Stable) / [ICRA]A2 (pronounced ICRA A two) assigned to Rs. 32.00 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. 4.00 crore unallocated limits of OAL.

Rating Rationale

The ratings reaffirmation continues to factor in the strong technical expertise and know-how developed by the company 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 healthy capital structure and debt coverage indicators. Also being a player in a niche industry with high entry barriers requiring strong technical know-how, the company's operating margins have remained steady in the past. The ratings also factor in the benefit from the sale of business of OAL Inc (subsidiary) and sale of its Daman and Mangalore plant in the last two fiscal years providing financial flexibility to the company.

The ratings, however, continue to remain constrained on account of modest scale of company's operation with 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 of profitability margins to raw material price fluctuations & foreign exchange fluctuations; though the company has been able to mitigate the same in the past. 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. The rating also takes into consideration that any further loans and advances extended from the surplus to any group entities (PT Oriental Aromatics in the past) will put pressure on OAL, in terms of its liquidity profile and will be a key rating sensitivity.

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 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

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 reputed FMCG majors. The company's manufacturing facility is located at Ambarnath near Mumbai and is ISO 9001:2008 and ISO 22000:2005

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.



certified. OAL owns 57.66% shares in Camphor and Allied Products Limited³ which manufactures a variety of camphor, terpenene chemicals and other speciality aroma chemicals, some of which are used by OAL as raw materials.

Recent Results

OAL reported an operating income of Rs. 117.99 crore and profit after tax of Rs. 12.55 during FY 2016 as against an operating income of Rs. 108.75 crore and profit after tax of Rs. 6.10 crore during FY 2015.

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³ Ratings of [ICRA]BBB+ (Stable)/ [ICRA]A2 outstanding

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