# DRT-Anthea Aroma Chemicals Private Limited

January 10, 2024

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long Term Bank Facilities | 9.03 | CARE BB+; Stable; ISSUER NOT COOPERATING* | Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BBB; Stable; |
| Short Term Bank Facilities | 106.00 | CARE A4+; ISSUER NOT COOPERATING* | Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE A3+; |

Details of instruments/facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

## Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) vide its press release dated June 28, 2023, continue to place the ratings of DRT Anthea Aroma Chemicals Private Limited (DAACPL) under the 'Issuer non-cooperating' category as DAACPL had failed to provide information for monitoring the ratings despite repeated requests vide e-mail communications dated June 16, 2023, June 09, 2023 and June 8, 2023 and numerous phone calls. DAACPL continues to be non-cooperative and has not provided NDS for more than six months. Thus, in pursuant to the extant Securities and Exchange Board of India (SEBI) guidelines, CARE Ratings has reviewed the ratings on the basis of the best available information which however, in CARE Rating's opinion is not sufficient to arrive at a fair rating.

Further, the revision in the ratings of DAACPL is pursuant to SEBI's circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings'. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status".

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

**Analytical approach:** Standalone

**Outlook:** Stable

## Detailed description of the key rating drivers:

At the time of last rating on April 07, 2022, the following were the rating strengths and weaknesses:

**Key Rating Strengths**

**Extensive experience and technical expertise of promoters in specialty chemicals industry:** The Anthea Group was founded by Dr. Vincent Paul in 1991, who has an extensive experience of over five decades in organic & aromatic chemicals. He is assisted by his sons Dr. Paul V. Menacherry and Mathew Menacherry, each having more than two decades of experience in the industry. Dr. Vincent Paul and Dr. Paul V Menacherry holds PhD in Organic chemistry (IISc Bangalore) and Chemical Engineering respectively. Over the years, the group has relied on its research and development team headed by Dr. Vincent Paul (Director) along with Dr. Paul Vincent Menacherry (Managing Director/Director technology), and business development team led by Mathew Menacherry (Director) to grow its scale.

**Global presence of the JV partner in the perfumery business providing wide market access:** In May 2020, DRT-France has been acquired by the Firmenich group. The acquisition is bringing more opportunities to wide market access for DAACPL as the Firmenich group is the largest importer of aroma Chemicals from India and with this acquisition coming in place, DAACPL will be the preferred supplier over other competitors as DAACPL has become a step-down JV of the Firmenich group. DAACPL derives more than 77% of its revenues from exports, particularly from markets like Switzerland (Europe), USA, Brazil, France etc with Firmenich Group being the prime clientele (contributing 58% of the overall revenue in DAACPL in FY21). DAACPL sells its products

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

directly to the Fragrance houses/blenders (which in turn sell to FMCG companies). The marketing of products in global market is primarily handled by DRT France (Firmenich Group). Moreover, DRT France supplies 80% of raw material requirement of DAACPL.

**Comfortable financials risk profile with improved leverage and coverage indicator:** The company's overall gearing improved to 0.28x as on March 31, 2021 vis-à-vis 0.42x as on Mar 31, 2020 on account of significant scheduled repayment of debt and accretion of profits to tangible Networth of the company. Interest coverage improved to 17.67x as on March 31, 2021 vis-à-vis 0.29x as on Mar 31, 2020 on account of improved PBILDT in FY21. Total Debt to GCA has remained comfortable at 1.44x as on Mar 31, 2021 vis-à-vis 1.69x as on Mar 31, 2020.

**Improved scale of operations during FY 21 and 9M FY 22 along with improvement in PBILDT margins:** DAACL achieved significant growth of 23% in TOI during FY 21 and the turnover increased from ₹272 crore in FY20 to 334 crore in FY21 due to higher demand of handwash, soaps, detergents due to pandemic situation and work from home scenario. Furthermore, significant growth of 52% in TOI from Rs 238 crores in 9MFY21 to ₹363 crore in 9MFY22 is observed on back of robust demand of the chemicals manufactured for pharma, soap, sanitiser manufacturing companies. DAACPL's PBILDT margin declined to 7.22% FY19 and 0.75% in FY20 due to fire incident at manufacturing plant in February 2018. DAACPL's manufacturing plant consisting of more than 80% of the capacity was destroyed in fire. Due to lower capacity available, DAACPL had to outsource the manufacturing of the products from domestic players in order to cater to its primary customer the Firmenich group. However, from FY20 onwards, DAACPL resumed its manufacturing activities but due to high overhead cost incurred in reconstructing the facility, the operating profitability got impacted. However, PBILDT margin regained to pre-fire incidence level during FY 21 and stood at 21.16%. Furthermore, PBILDT margin improved to 27.98% in 9MFY22 vis-à-vis 20.89% in 9MFY21 on account of operational efficiency due to newly installed ultra-model plant post fire incident.

**Key Rating Weaknesses**

**High Product and customer concentration risk:** DAACPL's top three products contributed 89% of the total sales in FY21 vis-à-vis 94% of total sales in FY20. The revenue contribution of Dihydromyrcenol has significantly increased from 26% of total sales in FY20 to 43% of total sales in FY21. DAACPL also has significant customer concentration around 60% of the revenue coming from the Firmenich group in FY21 (P.Y.72%). DAACPL supplies aroma ingredients to Firmenich which are in turn used for manufacturing of household products, soaps & detergents and fine perfumes. DAACPL's products are approved by Firmenich which translates into repeated orders from the latter. Thus, the customer concentration risk is partially mitigated by DAACPL's presence in the niche segment with relatively low competition.

**Susceptibility of operating profit margin to volatility in raw material prices and foreign exchange rate:** DAACPL procured around 80% of its raw material from DRT France in FY21 for which prices remain fixed for a six-month period. Similarly, DAACPL also enters into long term contract with its top clients for which prices remain fixed for six months. However, for the remaining suppliers, the price of raw material procured is market determined and the volatility in the prices may affect the profit margins to the extent of timing lag between the changes in raw material price and revision in price of its products. As on March 31, 2021, DAACPL had net un-hedged USD exposure of Rs.54.5 crore. As, DAACPL does not have any formal hedging policy, being a net exporter, it remains exposed to foreign currency exposure.

**Moderation in working capital cycle:** DAACPL's working capital cycle elongated to 101 days in FY21 vis-a-vis 64 days in FY20 on account of elongation in collection period from 68 days in FY20 to 82 days in FY21 and inventory period from 92 days in FY20 to 122 days in FY21. Normally, DAACPL maintains high level of inventory as majority of raw materials are procured through imports which takes longer time in transition from the suppliers to DAACPL's premises. Moreover, DAACPL derives majority of its revenue from exports, which leads to higher collection period.

**Liquidity: Strong**

Strong Liquidity is marked by expected gross cash accruals of ₹88.97 crores in FY22 repayment obligations of ₹5.92 crores out of which ₹4.05 crore have already repaid by December 31, 2021. DAACPL has free cash balance of ₹22.47 crore as on December 31, 2021 and un-encumbered FD of ₹46.71 crores as on December 31, 2021. The average utilization of working capital limits in last months ending December 2021 stood at 56%.

**Assumptions/Covenants:** Not applicable

**Environment, social, and governance (ESG) risks:** Not applicable

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## Applicable criteria

[Policy in respect of Non-cooperation by issuer]
[Policy on default recognition]
[Financial Ratios – Non financial Sector]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Credit Watch]
[Short Term Instruments]
[Manufacturing Companies]

## About the company and industry

### Industry classification

| Macro-Economic Indicator | Sector | Industry | Basic Industry |
|---|---|---|---|
| Commodities | Chemicals | Chemicals & Petrochemicals | Commodity Chemicals |

Incorporated in March 2008, DRT- Anthea Aroma Chemicals Private Limited (DAACPL) is an equal JV between Anthea Aromatics Pvt Ltd (AAPL), a promoter entity of the Anthea Group, and Les Dérivés Résiniques et Terpéniques – (DRT), France. May 2020, DRT-France has been acquired by Firmenich Group which is one of the world leaders in flavours and fragrances. DAACPL is engaged in the manufacturing of perfumery chemicals, which are extensively used in the detergents, soaps, and perfumes industry. DAACPL currently has three products contributing to majority of its revenue: Anthamber, Methyl Pentenone (MPO) and Dihydromyrcenol (DHM). DAACPL's manufacturing facility is located in Roha, Maharashtra. DAACPL derives more than 77% of its revenues from exports, particularly from markets like Switzerland (Europe), USA, Brazil, France etc with the Firmenich group being the prime clientele (contributing 58% of the overall revenue in DAACPL in FY21). DAACPL sells its products directly to the Fragrance houses/blenders (which in turn sell to FMCG companies). The marketing of products in global market is primarily handled by DRT France. Moreover, DAACPL imports around 86% of its raw material requirement. On the other hand, the manufacturing operations are handled by AAPL. DAACPL will be the preferred supplier over other competitors as DAACPL has become a step-down JV of Firmenich Group.

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | 9MFY23 (UA) |
|---|---:|---:|---:|
| Total operating income | 473.30 | 506.94 | N/A |
| PBILDT | 115.37 | 79.55 | N/A |
| PAT | 65.93 | 45.37 | N/A |
| Overall gearing (times) | 0.16 | 0.15 | N/A |
| Interest coverage (times) | 18.57 | 11.71 | N/A |

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'; N/A: Not available

**Status of non-cooperation with previous CRA:** Not applicable
**Any other information:** DAACPL has accepted short term credit rating of ICRA A2 vide press release dated July 26, 2023 from ICRA Limited.

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated**: Annexure-4

**Lender details**: Annexure-5

**Annexure-1: Details of instruments/facilities**

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|---|---|---|---|---|---|---|
| Fund-based - LT-Cash Credit | | - | - | - | 3.00 | CARE BB+; Stable; ISSUER NOT COOPERATING* |
| Fund-based - LT-Term Loan | | - | - | OCT-2023 | 6.03 | CARE BB+; Stable; ISSUER NOT COOPERATING* |
| Fund-based - ST-EPC/PSC | | - | - | - | 82.00 | CARE A4+; ISSUER NOT COOPERATING* |
| Non-fund-based - ST-BG/LC | | - | - | - | 24.00 | CARE A4+; ISSUER NOT COOPERATING* |

*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for the last three years**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 |
| 1 | Fund-based - LT-Term Loan | LT | 6.03 | CARE BB+; Stable; ISSUER NOT COOPERATING* | 1)CARE BBB; Stable; ISSUER NOT COOPERATING* (28-Jun-23) | 1)CARE A-; Stable; ISSUER NOT COOPERATING* (24-Mar-23)<br><br>2)CARE A-; Positive (07-Apr-22) | - | 1)CARE A-; Stable (23-Feb-21) |
| 2 | Fund-based - LT-Cash Credit | LT | 3.00 | CARE BB+; Stable; ISSUER NOT COOPERATING* | 1)CARE BBB; Stable; ISSUER NOT COOPERATING* (28-Jun-23) | 1)CARE A-; Stable; ISSUER NOT COOPERATING* (24-Mar-23)<br><br>2)CARE A-; Positive (07-Apr-22) | - | 1)CARE A-; Stable (23-Feb-21) |
| 3 | Fund-based - ST-EPC/PSC | ST | 82.00 | CARE A4+; ISSUER NOT | 1)CARE A3+; ISSUER NOT | 1)CARE A2+; ISSUER NOT | - | 1)CARE A2+ |

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 |
| | | | | COOPERATING* | COOPERATING* (28-Jun-23) | COOPERATING* (24-Mar-23)<br><br>2)CARE A2+ (07-Apr-22) | | (23-Feb-21) |
| 4 | Non-fund-based - ST-BG/LC | ST | 24.00 | CARE A4+; ISSUER NOT COOPERATING* | 1)CARE A3+; ISSUER NOT COOPERATING* (28-Jun-23) | 1)CARE A2+; ISSUER NOT COOPERATING* (24-Mar-23)<br><br>2)CARE A2+ (07-Apr-22) | - | 1)CARE A2+ (23-Feb-21) |

*Issuer did not cooperate; based on best available information.
*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not applicable

**Annexure-4: Complexity level of the various instruments rated**

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Fund-based - LT-Cash Credit | Simple |
| 2 | Fund-based - LT-Term Loan | Simple |
| 3 | Fund-based - ST-EPC/PSC | Simple |
| 4 | Non-fund-based - ST-BG/LC | Simple |

**Annexure-5: Lender details**

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|---|
| To view the lender wise details of bank facilities please click here |

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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**About us:**
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.



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