OCTOBER 20, 2015

CARE REVISED RATINGS ASSIGNED TO BANK FACILITIES OF GEM AROMATICS PRIVATE LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	21 [Enhanced from Rs.13 crore]	**CARE BB (Double B)**	Revised from CARE BB- [Double B Minus]
Short term Bank Facilities	5	**CARE A4 (A Four)**	Reaffirmed
Total Facilities	**26 (Rupees Twenty Six Crore only)**		

Rating Rationale

The revision in the ratings assigned to the bank facilities of Gem Aromatics Private Limited (GAPL) is primarily on account of improvement in capital structure and debt coverage indicators.

The ratings continue to derive strength from the long track record of operations, experienced management and established relations with reputed clients.

The ratings continue to be constrained by relatively modest scale of operations and working capital intensive nature of operations. The ratings further continue to be constrained by presence in highly fragmented and competitive fragrance-industry leading to stiff competition.

The ability of GAPL to grow its scale of operations and profitability amidst increasing competition and effectively manage its working capital cycle are the key rating sensitivities.

Background

GAPL was incorporated in 1997 by Mr Vipul Parekh and his family members. The Parekh family has a long track record of almost a century (since 1915) for its business establishment as a trader of essential oils and aroma chemicals. GAPL is engaged in the business of manufacturing of Essential oils and Aroma chemicals (namely, mint, eugenol, clove, eucalyptus, spearmint and basil oil) which finds application in FMCG and pharmaceutical industry. GAPL has its manufacturing plant located at Silvassa having an installed capacity of 900 metric ton per annum production capacity of above products (utilized at around 74% in FY15 [refers to the period April 1 to March 31]). The exports contributed 55% of the total sales in FY15 (vis-à-vis 60% in FY14) against majority of the raw materials being imported from China and Indonesia.

During FY15, GAPL has reported total income of Rs.74.86 crore (vis-à-vis Rs.71.02 crore in FY14) and PAT of Rs.0.83 crore (vis-à-vis Rs.0.80 crore in FY14). Furthermore, for H1FY16, GAPL posted a total income of Rs.31.76 crore.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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