GEM Aromatics Private Limited

February 3, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Ration Action
Long-term Bank Facilities	**29.94 (Enhanced from Rs.20.72 crore)**	**CARE BB; Stable (Double B; Outlook: Stable)**	Reaffirmed
Short-term Bank Facilities	**2.00 [Reduced from Rs.5.00 crore]**	**CARE A4 (A Four)**	Reaffirmed
Total Facilities	**31.94 (Rupees Thirty-one crore and Ninety-four lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale

The ratings assigned to the bank facilities of Gem Aromatics Private Limited (GAPL) continue to be constrained by its relatively modest scale of operations with low capitalization, improving but low profit margins, leveraged capital structure and weak debt coverage indicators and working capital intensive nature of operations. The ratings further continue to be constrained by susceptibility of profitability to fluctuation in input prices and foreign exchange rates and its presence in the highly fragmented and competitive fragrance-industry leading to stiff competition.

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

The ability of GAPL to increase its scale of operations and improve profitability and capital structure amidst increasing competition and effectively manage its working capital requirement are the key rating sensitivities.

Detailed description of the key rating drivers

The scale of operations of GAPL, has remained modest with TOI of Rs.79.54 crore growing steadily at a CAGR of 11.56% during last two years till FY16 (refers to the period April 1 to March 31). Further networth base remained low at Rs.11.98 crore as on March 31, 2016, limiting its financial flexibility and depriving it of benefits of economies of scale. Furthermore, owing to its presence in competitive industry and susceptibility of profitability to fluctuation in raw material prices the profitability remained low in the range of 5%-6% during last three years ending FY16. Although, the promoters are experienced and resourceful and have infused funds regularly to support the operations, still the capital structure remained leveraged owing to high working capital requirements as marked by high gross current asset days.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

CARE's methodology for Short-term Instruments

CARE's methodology for manufacturing companies

Financial ratios (Non-Financial Sector)

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

About the Company

Gem Aromatics Private Limited (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 FY16). The exports contributed 42.33% of the total sales in FY16 (vis-á-vis 48.18% in FY15) against majority of the raw materials being imported from China and Indonesia.

During FY16, GAPL reported total operating income of Rs.79.54 crore and earned net profit Rs.1.29 crore. During 7MFY17 (refers to the period April 1, 2016 to October 31, 2016), the company has recorded total income of Rs.50.20 crore.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *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.*

Analyst Contact
Name: Mr Nitin Jha
Tel: 022-67543676
Mobile: +917710065320
Email: nitin.jha@careratings.com

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

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook 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.

Annexure 1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	24.60	CARE BB; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	2.00	CARE A4
Fund-based - LT-Term Loan	-	-	April-2023	5.34	CARE BB; Stable

Annexure 2: Rating History for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Cash Credit	LT	24.60	CARE BB; Stable	-	1)CARE BB (20-Oct-15)	1)CARE BB- (27-Aug-14)	-
2.	Non-fund-based - ST-Bank Guarantees	ST	2.00	CARE A4	-	1)CARE A4 (20-Oct-15)	1)CARE A4 (27-Aug-14)	-
3.	Fund-based - LT-Term Loan	LT	5.34	CARE BB; Stable	-	1)CARE BB (20-Oct-15)	-	-

CONTACT

Head Office Mumbai

Mr. Amod Khanorkar
Mobile: + 91 98190 84000
E-mail: amod.khanorkar@careratings.com

Mr. Saikat Roy
Mobile: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Deepak Prajapati
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-9099028864
Tel: +91-80-4115 0445, 4165 4529
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691