



Press Release

July 12, 2024

GEM AROMATICS LIMITED (ERSTWHILE GEM AROMATICS PRIVATE LIMITED) Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	126.00	ACUITE A Stable Reaffirmed	-
Bank Loan Ratings	0.65	Not Applicable Withdrawn	-
Bank Loan Ratings	53.00	-	ACUITE A1 Reaffirmed
Bank Loan Ratings	1.00	-	Not Applicable Withdrawn
Total Outstanding	179.00	-	-
Total Withdrawn	1.65	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE A (read as ACUITE A)**' and the short-term rating of '**ACUITE A1 (read as ACUITE A one)**' on the Rs. 179.00 crore bank facilities of Gem Aromatics Limited (Erstwhile Gem Aromatics Private Limited). The outlook remains '**Stable**'.

Further, Acuite has withdrawn the long-term rating on the Rs. 0.65 crore bank facility of Gem Aromatics Limited (Erstwhile Gem Aromatics Private Limited). The same is withdrawn without assigning any rating as it is a proposed facility. The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company.

Acuite has also withdrawn the short-term rating on the Rs. 1.00 crore bank facility of Gem Aromatics Limited (Erstwhile Gem Aromatics Private Limited). The same is withdrawn without assigning any rating as the instrument is paid off. The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company and NDC (No Due Certificate) received from the banker.

Rationale for Rating

The reaffirmation of the rating takes into account, the consistent growth in the overall operating and financial performance of Gem Aromatics Limited (Erstwhile Gem Aromatics Private Limited). Despite subdued demand in the international market, GAL has achieved a revenue growth of ~8 percent in FY2024 on a y – o – y basis. The operating income stood at Rs. 447.48 crore in FY2024 (Prov.) as against Rs. 413.47 crore in FY2023. The profitability margins have also improved on account of improved realizations, sale of further value-added products, reduced fixed costs and forex gain (as compared to forex loss in FY2023). The EBITDA margin stood at 16.85 percent in FY2024 (Prov.) as against 14.49 percent in FY2023. The PAT margin stood at 11.05 percent in FY2024 (Prov.) as against 9.60 percent in FY2023. The financial risk profile of the company continues to remain healthy, marked by healthy net worth, lower than unity gearing and healthy debt protection metrics. The overall performance of the company is in line with Acuite's expectations.

Going forward, the company's ability to maintain the improvement in the operating performance and to restrict further elongation of working capital cycle will remain a key rating monitorable.

About the Company

Mumbai based Gem Aromatics Limited (Erstwhile Gem Aromatics Private Limited) was incorporated in 1997 and promoted by Mr. Vipul Parekh and Mrs. Kaksha Parekh. The company was converted to a public limited company in March 2023. It is engaged into manufacturing of Essential oils and Aroma chemicals (namely Mint & its derivatives, Clove & its derivatives, Eucalyptus, Anethol, and Patchouli etc). The customers of the company are from diversified industries which includes oral care industries, flavour and fragrance formulation houses, cosmetic manufacturers, food and beverages industries, incense sticks manufacturers, pharmaceutical, wellness & nutraceutical industries within India and worldwide.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone view of business and financial risk profiles of GAL to arrive at this rating.

Key Rating Drivers

Strengths

Established track record, experienced management, and reputed clientele

The legacy of GAL dates back to year 1915 when promoter's forefathers were engaged in the business of imports of chemicals for various FMCG and pharmaceutical industries. Later, GAL was established in 1997 by Mr. Vipul Parekh and Mrs. Kaksha Parekh, who possess experience of over two decades in flavour and fragrance industry. The promoters are very well supported by their son, Mr. Yash Parekh who joined the business in 2010 and has helped in developing the presence in international markets, leading to higher export orders. The extensive experience of the promoters has helped GAL to establish a strong market position in Indian as well as international market.

GAL has an elite and enviable customer base having global presence – COLGATE (All 4 global Manufacturing Locations i.e. India, China, USA & Brazil), doTERRA, IP Callison, MANE, Givaudan, Robertet, RCB International, Symrise, Dabur, IFF, Patanjali, Emami etc. No single customer accounts for more than 25% of the revenues. Furthermore, GAL has expanded its customer base by attracting prominent names like Camlin Fine Sciences Limited. Some of these customers have been associated with the company for more than a decade.

Acuité believes that the GAPL promoter's experience and established market presence in the flavour and fragrance industry will support its business risk profile over near to medium term.

Healthy Financial Risk Profile

The company has a healthy financial risk profile, which is marked by healthy networth, low gearing and healthy debt protection metrics. The net worth of the company stood at Rs. 227.01 crore on March 31, 2024 (Prov.) as against Rs. 177.48 crore on March 31, 2023. The company had issued bonus shares out of its reserves in FY2024. The gearing of the company stood low at 0.37 times on March 31, 2024 (Prov.) as against 0.51 times on March 31, 2023. TOL/TNW stood at 0.46 times on March 31, 2024 (Prov.) as against 0.64 times on March 31, 2023. The Debt-EBITDA improved to 1.08 times on March 31, 2024 (Prov.) as against 1.49 times on March 31, 2023.

The debt protection indicators remain healthy, with Interest Coverage Ratio (ICR) at 14.06 times in FY2024 (Prov.) as against 10.70 times in FY2023. The Debt Service Coverage Ratio (DSCR) stood at 10.15 times in FY2024 (Prov.) as against 8.34 times in FY2023.

GAL is planning a project of setting up new facility at Dahej with a total capacity of ~10,600 MTPA under its wholly owned subsidiary, Krystal Ingredients Private Limited. The project cost is estimated to be Rs. 105.08 crore. The project is expected to be funded through promoters contribution of Rs. 36.78 crore and balance amount through term loan of the total cost of the project, Rs. 86.13 crore has been incurred, which includes promoters contribution of Rs. 17.83 crore. The balance amount required in the form of promoter's contribution are expected to met through internal accruals of GAL. The facility is expected to be operational from September 2024 onwards.

Acuite believes that the financial risk profile of GAL will continue to remain stable in the near to medium term in absence of any major debt funded capex plan.

Weaknesses

Working Capital Management

The operations of the company are working capital intensive, marked by GCA days of 206 days on March 31, 2024 (Prov.) as against 210 days on March 31, 2023. The GCA days are driven by inventory days and debtor days. The debtor collection period stood improved at 35 days on March 31, 2024 (Prov.) as against 71 days on March 31, 2023. The inventory holding period increased to 166 days on March 31, 2024 (Prov.) as against 143 days on March 31, 2023. The creditor days stood at 16 days on March 31, 2024 (Prov.) as against 23 days on March 31, 2023.

However, the average bank limit utilization stood moderate at 52.59 percent for twelve months ended March 2024.

Acuité believes that GAPL's ability to restrict further elongation of working capital cycle will remain a key rating monitorable.

Profitability susceptible to volatility in raw material prices and foreign exchange fluctuation risk

GAPL's operating profitability is susceptible to volatility in raw material prices of clove, eucalyptus and mint which are procured locally and also imported from Indonesia, Madagascar to name a few. The company also exports its produce to USA, Germany, Brazil, etc thereby exposing itself to foreign exchange fluctuation risk, in turn risking the current operating margin levels. However, the same is mitigated to an extent because of equivalent imports against exports which acts as a natural hedge. Also, the company has a hedging mechanism and does not keep any of its position open.

Rating Sensitivities

- Maintaining current level of profitability while achieving revenue growth.
- Further elongation in working capital cycle.
- Timely completion of capex without time and cost over runs.

Liquidity Position**Adequate**

The company has an adequate liquidity position, marked by steady Net Cash accruals (NCA) against negligible repayment obligations. The company generated Net Cash Accruals worths Rs. 55.59 crore in FY2024 (Prov.) against repayment obligation of Rs. 0.11 crore for the same period. The company is expected to generate NCAs in the range of Rs. 60.00 – 70.00 crore for FY2025 – FY2026 against repayment obligations in the range of Rs. 0.03 – 0.10 crore for the same period. The current ratio stood at 2.62 times on March 31, 2024 (Prov.). The average bank limit utilization stood at 52.59 percent for twelve months ended March 2024. The company has an unencumbered cash and bank balance of Rs. 10.20 crore on March 31, 2024 (Prov.).

Outlook: Stable

Acuité believes that the outlook of GAPL will remain 'Stable' over the medium term backed by its experienced management and long standing relationships with customers. The outlook may be revised to 'Positive' if the company achieves higher than expected revenue and profitability while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company undertakes further debt funded capital expenditure resulting in deterioration of its financial risk profile of the company, particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	447.48	413.47
PAT	Rs. Cr.	49.46	39.71
PAT Margin	(%)	11.05	9.60
Total Debt/Tangible Net Worth	Times	0.37	0.51
PBDIT/Interest	Times	14.06	10.70

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Apr 2023	Bank Guarantee/Letter of Guarantee	Short Term	1.00	ACUITE A1 (Reaffirmed)
	Bills Discounting	Short Term	25.00	ACUITE A1 (Reaffirmed)
	Bills Discounting	Short Term	8.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	36.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	40.00	ACUITE A Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.65	ACUITE A Stable (Reaffirmed)
	Secured Overdraft	Long Term	20.00	ACUITE A Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	12.00	ACUITE A Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	8.00	ACUITE A Stable (Assigned)
24 Mar 2023	PC/PCFC	Long Term	12.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Secured Overdraft	Long Term	20.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Proposed Long Term Bank Facility	Long Term	0.65	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Working Capital Demand Loan (WCDL)	Long Term	12.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	22.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Cash Credit	Long Term	2.00	ACUITE A Stable (Upgraded from ACUITE A- Stable)
	Bank Guarantee/Letter of Guarantee	Short Term	1.00	ACUITE A1 (Upgraded from ACUITE A2+)
01 Feb 2023	Bills Discounting	Short Term	25.00	ACUITE A1 (Upgraded from ACUITE A2+)
	PC/PCFC	Long Term	12.00	ACUITE A- Stable (Reaffirmed)
	Bills Discounting	Short Term	25.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	1.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	22.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE A- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.65	ACUITE A- Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	12.00	ACUITE A- Stable (Reaffirmed)
23 Dec 2021	Secured Overdraft	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
	Bills Discounting	Short Term	25.00	ACUITE A2+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	1.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE A- Stable (Reaffirmed)
	Cash Credit	Long Term	22.00	ACUITE A- Stable (Reaffirmed)
23 Dec 2021	PC/PCFC	Long Term	12.00	ACUITE A- Stable (Reaffirmed)

Secured Overdraft	Long Term	20.00	ACUITE A- Stable (Reaffirmed)
Proposed Long Term Bank Facility	Long Term	0.65	ACUITE A- Stable (Reaffirmed)
Working Capital Demand Loan (WCDL)	Long Term	12.00	ACUITE A- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Standard Chartered Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.00	Simple	Not Applicable Withdrawn
CITI Bank	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	33.00	Simple	ACUITE A1 Reaffirmed
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	66.00	Simple	ACUITE A Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	40.00	Simple	ACUITE A Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A1 Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.65	Simple	Not Applicable Withdrawn
DBS Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE A Stable Reaffirmed

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About Acuité Ratings & Research

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