



Press Release

Karomas Aromatics

October 16, 2018

Rating Reaffirmed and Withdrawn

Total Bank Facilities Rated*	Rs. 8.80 Cr.
Long Term Rating	ACUITE B / Outlook: Stable (Withdrawn)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 8.80 crore bank facilities of Karomas Aromatics. Further, Acuite has withdrawn long-term rating of '**ACUITE B**' (read as **ACUITE B**) on Rs. 3.00 crore facilities.

Karomas Aromatics is a Bangalore based proprietorship concern established in 2017 by Mr. Rajesh Talesara. The firm is engaged in trading of aromatic chemicals used in incense sticks, perfume, soaps and tobaccos imported from China, Japan, Spain and other countries.

The firm has a moderately diversified geographical reach across South India, West India and North India.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Karomas Aromatics to arrive at the rating.

Key Rating Drivers:

Strengths

• Experienced management

Karomas Aromatics is a Bangalore based proprietorship concern established in 2017 by Mr. Rajesh Talesara. The firm is engaged in trading of aromatic chemicals used in Agarbatti, perfume, soaps and tobaccos. The Proprietor has two decades of experience in the same line of business. Before setting up the proprietorship firm, Mr. Talesara was managing a partnership firm in the name of Karnataka Aromas since 1997. Mr. Talesara in 2017 discontinued as a partner in Karnataka Aromas.

• Moderate financial risk profile

The financial risk profile is moderate marked by high gearing, comfortable debt protection metrics and moderate net worth. The gearing (debt-to-equity) stood at 1.29 times as on 31 March, 2018 (Provisional). The interest coverage ratio (ICR) and the debt service coverage ratio (DSCR) stood same at 10.28 times in FY2018 (Provisional). The net worth is moderate at Rs.6.49 crore in FY2018 (Provisional). The net cash accrual /total debt (NCA/TD) stood at 0.41 times in FY2018 (Provisional) and total outside liability to tangible net worth (TOL/TNW) stood at 2.65 times in FY2018 (Provisional).

Weaknesses

• Nascent stage of operations and modest scale of operations

The commercial operations commenced from April 2017 and are still in nascent stage. However, the proprietor, being in the same line of business since last 2 decades, has adequate network throughout India which provides sufficient cushion for a relatively early stabilisation of the operations. The firm has earned around Rs. 47.51 crore in FY2018(Provisional).

About the Rated Entity - Key Financials

	Unit	FY18 (Prov.)
Operating Income	Rs. Cr.	47.51
EBITDA	Rs. Cr.	3.82
PAT	Rs. Cr.	3.45
EBITDA Margin	(%)	8.04
PAT Margin	(%)	7.26
ROCE	(%)	48.63
Total Debt/Tangible Net Worth	Times	1.29
PBDIT/Interest	Times	10.28
Total Debt/PBDIT	Times	2.18
Gross Current Assets (Days)	Days	177

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading entities- <https://www.acuite.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
22-Jul-2017	Proposed Cash Credit	Long Term	3.00	ACUITE B/Stable (Assigned)
	Proposed Letter of Credit	Short Term	5.80	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Date	Maturity Date	Size of Issue (Rs. Cr.)	Ratings/Outlook
Foreign Letter of Credit (FLC)	Not Applicable	Not Applicable	Not Applicable	8.80 (Enhanced from Rs. 5.80 cr)	ACUITE A4 (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE B/Stable (Withdrawn)

Cash Credit facility is a sublimit of FLC of amount Rs.3.00 crore

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About Acuité Ratings & Research:

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