



SMERA RATINGS LIMITED

Aries Organics Private Limited (AOPL)**Rating
Rationale****July 22, 2014**

Facilities	Amount (Rs. Crore)	Ratings
Export Packing Credit	5.00*	SMERA BBB/Stable (Reaffirmed)
Letter of Credit	2.00^	SMERA A3+ (Reaffirmed)
Credit Exposure Limit	0.10	SMERA A3+ (Reaffirmed)

*Fully interchangeable with foreign bill discounting

^Interchangeable to the extent of Rs.0.50 crore with bank guarantee

SMERA has reaffirmed long-term rating of '**SMERA BBB**' (read as **SMERA triple B**) and short-term rating of '**SMERA A3+**' (read as **SMERA A three plus**) on the Rs.7.10 crore bank facilities of Aries Organics Private Limited (AOPL). The outlook is '**Stable**'. The ratings continue to draw comfort from the company's long and established track record of operations, strong financial profile, healthy coverage indicators and strong profit margins. The ratings also draw comfort from the company's diversified product profile, strong customer base and experienced management. However, the ratings remain constrained by the company's exposure to raw material price volatility and geographic concentration risk.

Update

AOPL registered net operating income of Rs.60.65 crore (provisional) in FY2013-14 (refers to financial year, April 01 to March 31), as compared with net operating income of Rs.44.67 crore in FY2012-13 mainly on account of increase in sales realization. The company reported profit after tax (PAT) of Rs.7.56 crore (provisional) in FY2013-14, as compared with PAT of Rs.2.57 crore in FY2012-13.

AOPL's strong financial profile is reflected in debt-free balance sheet as on March 31, 2014. The company's operating profit margin has improved from 10.06 per cent in FY2012-13 to 18.45 per cent (provisional) in FY2013-14. Moreover, AOPL's net profit margin increased from 5.76 per cent in FY2012-13 to 12.47 per cent (provisional) in FY2013-14.

AOPL's diversified product profile includes ~25 variants of synthetic organic dyes used in leather and textile industries. The company is an Export Oriented Unit (EOU) and caters to ~200 customers across 20 countries. Although AOPL is exposed to forex fluctuation risk, the company has a natural hedge (on ~60 per cent of its sales) arising from imports. Further, AOPL also enters into forward contracts to hedge forex fluctuation risk. The company gains access to the European markets by complying with the 'Registration, Evaluation and Authorization of Chemicals' (REACH) regulations prescribed by European Commission.

AOPL continues to benefit from its experienced management. Mr. Kantilal Patel, director of AOPL, has a postgraduate degree in organic chemistry (specialization in dyes) with around three decades of experience in the dyestuff industry. Mr. Arish Patel, son of Mr. Kantilal Patel, is actively involved in the overall operations of the company.

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SMERA RATINGS LIMITED

Aries Organics Private Limited (AOPL)

*Rating
Rationale*

AOPL's main inputs include benzene, toluene, xylene and naphthalene, which are derivatives of crude oil. AOPL is thus susceptible to raw material price volatility, which is intensified by the recent geopolitical tensions in Arab countries.

Outlook: Stable

SMERA believes the outlook on AOPL's rated facilities will remain stable over the medium term on account of the company's strong financial risk profile. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues and profitability while achieving a strong liquidity position. Conversely, the outlook may be revised to 'Negative' in case the company registers decline in revenues and profitability, or in case of deterioration in the company's liquidity position.

About the company

AOPL, incorporated in 1995, is an Ahmedabad-based company promoted by Mr. Kantilal Patel. AOPL is engaged in manufacturing and export of various synthetic organic dyes, including acid dyes, direct dyes and reactive dyes. AOPL caters to clients based in Italy, Spain, Netherlands, Argentina, United Kingdom, Greece and Turkey. The company's manufacturing unit is located in GIDC - Vatva, Ahmedabad (Gujarat).

For FY2013-14 (as per provisional financial statements), AOPL reported net profit after tax of Rs.7.56 crore on operating income of Rs.60.65 crore, as compared with net profit after tax of Rs.2.57 crore on operating income of Rs.44.67 crore in FY2012-13. AOPL's net worth stood at Rs.21.37 crore (provisional) as on March 31, 2014, as compared with Rs.18.73 crore a year earlier.

About the group

The Aries Group comprises three entities viz. AOCL, Aries Dye Chem Industries and Aries Colorchem Private Limited. All the entities of the Aries Group are engaged in manufacturing of synthetic organic dyes. The group's installed manufacturing capacity stands at ~16,200 metric tonnes per annum (MTPA) for synthetic organic dyes and 2,700 MTPA for dye intermediates.

For FY2013-14 (as per provisional financial statements), the Aries Group reported PAT of Rs.24.31 crore on operating income of Rs.224.23 crore, as compared with PAT of Rs.8.42 crore on operating income of Rs.125.30 crore for FY2012-13. The group's net worth stood at Rs.64.14 crore (provisional) as on March 31, 2014 as compared with Rs.47.20 crore a year earlier.

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