

Aries Organics Private Limited: Reaffirmed

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

*Fully Interchangeable with foreign bill discounting.

^One way interchangeable from Letter of Credit to bank guarantee to the extent of Rs. 0.50 crore.

SMERA has reaffirmed the 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 has been revised to '**Stable**' from '**Positive**'.

SMERA has consolidated the business and financial risk profiles of AOPL, Aries Dye Chem Industries (ADCI) and Aries Colorchem Private Limited (ACPL) together referred to as the 'Aries Group'. The consolidation is in view of the common ownership, similarity in the business models of the entities and significant operational and financial linkages between the three companies.

The revisions in outlook reflect lower than expected improvement in capital structure and operating income of the group in FY2015-16 over FY2014-15.

The ratings continue to derive support from the group's established track record of operations, experienced management and diversified product profile. The ratings also derive comfort from the group's healthy financial risk profile marked by low gearing and healthy debt protection metrics. However, the ratings remain constrained by the working-capital intensive operations in an intensely competitive business environment. The ratings also note that the group's business is highly vulnerable to fluctuations in raw material (H-Acid) prices and volatility in foreign exchange rates.

Update

The group reported operating income of Rs. 151.93 crore in FY2015-16 as compared to Rs.230.17 crore in FY2014-15. The decline is on account of lower than expected sales realisation. Further, the group reported operating margin of 16.87 per cent in FY2015-16 as compared to 16.08 per cent in the previous year on account of decline in raw material prices. However, the group's profitability continues to remain susceptible to volatility in raw material prices and foreign exchange rates.

The group's financial risk profile continues to remain healthy marked by low gearing at 0.88 times as on March 31, 2016 and interest coverage ratio of 17.68 times in FY2015-16. The group has comfortable liquidity position as the average bank limit utilisation stood at around 35 per cent for the last six months ended as on August 31, 2016. The group has reported net worth of Rs.63.79 crore as on March 31, 2016 as against Rs.78.50 in the previous year. The decline in net worth is mainly on account of payment of dividend by AOPL.

Rating Sensitivity Factors

- Scaling up revenue while maintaining profitability
- Movement in the financial risk profile
- Effective working capital management
- Adherence to regulatory norms
- Dividend Payouts

Criteria applied to arrive at the ratings:

- Manufacturing Entities

Outlook: Stable

SMERA believes that the Aries group will continue to benefit over the medium term on account of the company's experienced management and established position in the dye and intermediates industry. The outlook may be revised to 'Positive' if the company registers significant growth in revenues, cash accruals while maintaining its capital structure and liquidity profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue and profitability margins or significant deterioration in the financial risk profile due to debt-funded capital expenditure or working capital borrowings.

About the Group

The Aries group, was established in 1980 with the setting up of Aries Dye Chem Industries (ADCI), a proprietorship concern. Subsequently, Aries Organics Private Limited (AOPL) came into being in 1995 followed by Aries Colorchem Private Limited (ACPL) in 2009. The group manufactures a diversified range of dye intermediates and synthetic organic dyes catering to the textile and leather industries. The installed capacity of the group is ~16,700 metric tonnes per annum (MTPA) for synthetic organic dyes and 2,700 MTPA for dye intermediates. The group is managed by Mr. Kantilal Patel and Mr. Aries Patel.

On consolidated basis, the group reported profit after tax (PAT) of Rs.19.11 crore on operating income of Rs.151.93 crore in FY2015-16 as compared to PAT of Rs.28.49 crore on operating income of Rs.230.17 crore in the previous year.

Rating History:

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
31 July, 2015	Export Packing Credit	5.00*	SMERA BBB (Reaffirmed)	-	Positive
	Letter of Credit	2.00^	-	SMERA A3+ (Reaffirmed)	-
	Credit Exposure Limit	0.10	-	SMERA A3+ (Reaffirmed)	-
22 July, 2014	Export Packing Credit	5.00*	SMERA BBB (Reaffirmed)	-	Stable
	Letter of Credit	2.00^	-	SMERA A3+ (Reaffirmed)	-
	Credit Exposure Limit	0.10	-	SMERA A3+ (Reaffirmed)	-
18 October, 2013	Fund-based facilities	5.00	-	SMERA A3+ (Assigned)	-
	Non Fund-based facilities	2.10	-	SMERA A3+ (Assigned)	-

*Fully Interchangeable with foreign bill discounting.

^Interchangeable to the extent of Rs. 0.50 crore with Bank Guarantee

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ABOUT SMERA

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