

February 17, 2015

Facilities	Amount (Rs. Crore)	Ratings
Working Capital Term Loans	7.00	SMERA B-/Stable (Assigned)
Cash Credit	6.00	SMERA B-/Stable (Assigned)
Letter of Credit	7.00	SMERA A4 (Assigned)

SMERA has assigned a long-term rating of '**SMERA B-**' (**read as SMERA single B minus**) and a short-term rating of '**SMERA A4**' (**read as SMERA A four**) to the Rs.20.00 crore bank facilities of ARCL Organics Limited (ARCL). The outlook is '**Stable**'. The ratings are mainly constrained by the company's exposure to labour issues. The ratings are also constrained by the company's weak financial risk profile and stretched liquidity position. The ratings note that the company's bank facilities have been restructured. The aforementioned weaknesses are partially offset by the company's experienced management.

ARCL, incorporated in 1992, is a Kolkata-based company engaged in manufacturing of liquid resins and formaldehyde. ARCL's manufacturing unit was shut down for around eight months (August 2013 to March 2014) on account of labour unrest. Further, the plant remained shut for another three months (April 2014 to June 2014) on account of electricity issues and breakdowns. The company resumed business operations in July 2014. ARCL's weak financial risk profile is marked by low net profit margin of 0.06 per cent in FY2013-14. The company's stretched liquidity position is reflected in high average utilisation (~94 per cent) of working capital limit during the three months ended December 2014. ARCL's bank facilities were restructured in November 2013.

ARCL benefits from its experienced management. The promoters of the company have around two decades of experience in the chemical industry.

### Outlook: Stable

ARCL's long-term rating has a 'Stable' outlook. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's working capital management, or in case of significant decline in the company's revenues.

**Disclaimer:** A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.smera.in](http://www.smera.in)) for the latest information on any instrument rated by SMERA.

### About the company

ARCL, incorporated in 1992, is a Kolkata-based company engaged in manufacturing of liquid resin and formaldehyde used in the plywood industry.

For FY2013-14, ARCL reported profit after tax (PAT) of Rs.0.04 crore on operating income of Rs.62.79 crore, as compared with PAT of Rs.0.89 crore on operating income of 117.99 crore in the previous year. ARCL's net worth stood at Rs.43.02 crore as on March 31, 2014. The company registered operating income of Rs.29.37 crore (provisional) for the nine months ended December 2014.

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