

January 25, 2016

Facilities	Amount (Rs. Crore)	Ratings
Working Capital Term Loan	5.00*	SMERA B-/Stable (Reaffirmed)
Cash Credit	6.00	SMERA B-/Stable (Reaffirmed)
Letter of Credit	8.45	SMERA A4 (Reaffirmed)
Proposed Long/Short Term Facility	0.55	SMERA B-/Stable/SMERA A4 (Reaffirmed)

**WCTL instalment paid will be available for utilisation as LC*

SMERA has reaffirmed the long-term rating of '**SMERA B-** (read as **SMERA B minus**)' and a short-term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.20.00 crore bank facilities of ARCL Organics Limited (ARCL). The outlook is '**Stable**'. The ratings continue to remain constrained by the company's modest scale of operations, weak debt protection metrics and stretched liquidity position. The ratings are also constrained by net losses incurred in FY2015. However, the aforementioned weaknesses are partially offset by the experienced management.

Update

ARCL's revenues have declined from Rs.62.79 crore in FY2013-14 (refers to financial year, April 01 to March 31) to Rs. 52.54 crore in FY2014-15 on account of low sales realisation. The company has incurred net losses of Rs.3.53 crore in FY2014-15 mainly due to high depreciation cost. The interest coverage ratio stands low at 1.26 times in FY2015. Also, the GCA days have increased to 170 in FY2014-15 from 118 in FY2013-14 on account of increase in collection days from 80 to 120 for the said period.

Rating Sensitivity Factors

- Efficient working capital management
- Ability to scale up operations and achieve profitability

Outlook: Stable

SMERA believes ARCL will continue to benefit from its experienced management. 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 significant decline in revenues.

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About the Company

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

For FY2014–15, ARCL reported net loss of Rs.3.53 crore on operating income of Rs.52.54 crore, as compared with PAT of Rs.0.04 crore on operating income of 62.79 crore in the previous year.

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