

Press Release

ARCL Organics Limited

May 14, 2021

Rating Upgraded & Withdrawn



Total Bank Facilities Rated*	Rs.22.50 Cr.
Long Term Rating	ACUITE BB (Upgraded & Withdrawn)
Short Term Rating	ACUITE A4+ (Upgraded & Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has Upgraded & withdrawn the Long-term rating to '**ACUITE BB**' (read as **ACUITE Double B**) from '**ACUITE B**' (read as **ACUITE B**) and the short-term rating to '**ACUITE A4+**' (read as **ACUITE A Four plus**) from '**ACUITE A4**' (read as **ACUITE A Four**) on the Rs. 22.50 Crore bank facilities of ARCL Organics Limited (ARCL). The rating is being withdrawn on account of request received from the company and NOC received from the bank.

The rating is upgraded on account of continuous growth in the operating income, significant improvement in the profitability levels backed by moderate financial risk profile and adequate liquidity position of the company.

About the Company:

ARCL, incorporated in 1992, is a Kolkata-based company engaged in the manufacturing of liquid resin and formaldehyde. The company has also diversified its customer base to other industries such as aqua food, paper, and laminates.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of AOL to arrive at the rating.

Key Rating Drivers

Strengths

• Experience management:

Mr. Mundhra and other directors of the company have more than three decades of experienced in the chemical industry.

• Healthy Financial risk profile:

The financial risk profile of the company has remained on the same levels as the previous year as reflected by low gearing levels of 0.72 times as on 31st March 2020 as against 0.92 times in the previous year. Coverage ratios of the company have remain strong with the DSCR & ICR of 2.06 times and 2.58 times in FY2020 and 2.29 and 2.48 times in FY2019 respectively. Total debt of the company has stood at Rs. 17.45 crores in FY2020 compared to Rs. 20.43 crores in the previous year.

Weaknesses

• Working Capital intensive nature of operations

FY2020's working capital operations remained moderately intensive as observed by the GCA of 132 days as against 135 days in FY2019. The same is on account of inventory holding period of 33 days as in FY2020 against 28 days in the previous year. Further, the debtor collection period of the company stood at 88 days in FY2020 as against 87 days in FY2019.

Outlook:

NA

Material Covenant

None

Rating sensitivity

NA

Liquidity position: Adequate

The company has adequate liquidity marked by high net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.4.00 Crore in FY2020 to pay off its obligation. Company's working capital operations are moderately intensive marked by Gross Current Asset (GCA) days of 132 days in FY2020. However, the average utilization of bank limits stood low at ~37 per cent in the last six months ending March, 2021. Company maintains unencumbered cash and bank balances of Rs.0.95 Crore as on 31 March 2020. The current ratio stands at 1.47 times as on 31 March 2020.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	87.17	70.79
PAT	Rs. Cr.	11.45	2.57
PAT Margin	(%)	13.13	3.64
Total Debt/Tangible Net Worth	Times	0.26	0.72
PBDIT/Interest	Times	8.77	2.58

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>
Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
23-November-2020	Working capital term loan	Long Term	5.00	ACUITE B (Indicative)
	Cash Credit	Long Term	6.00	ACUITE B (Indicative)
	Letter of Credit	Short Term	8.45	ACUITE A4 (Indicative)
	Proposed Bank Facility	Long Term	0.55	ACUITE B (Indicative)
	Proposed Bank Facility	Long Term	2.50	ACUITE B (Indicative)
11-September-	Working capital term loan	Long Term	5.00	ACUITE B

2019				(Indicative)
	Cash Credit	Long Term	6.00	ACUITE B (Indicative)
	Letter of Credit	Short Term	8.45	ACUITE A4 (Indicative)
	Proposed Bank Facility	Long Term	0.55	ACUITE B (Indicative)
	Proposed Bank Facility	Long Term	2.50	ACUITE B (Indicative)
22-June-2018	Working capital term loan	Long Term	5.00	ACUITE B (Indicative)
	Cash Credit	Long Term	6.00	ACUITE B (Indicative)
	Letter of Credit	Short Term	8.45	ACUITE A4 (Indicative)
	Proposed Bank Facility	Long Term	0.55	ACUITE B (Indicative)
	Proposed Bank Facility	Long Term	2.50	ACUITE B (Indicative)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Working capital term loan	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BB (Upgraded & Withdrawn)
Working capital term loan	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB (Upgraded & Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB (Upgraded & Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB (Upgraded & Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	6.25	ACUITE A4+ (Upgraded & Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.20	ACUITE A4+ (Upgraded & Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.55	ACUITE BB (Upgraded & Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BB (Upgraded & Withdrawn)

*WCTL instalment paid will be available for utilisation as LC subject to Max assessed LC amount of Rs.7.25 crore (Rs.5.00 crore normal LC limit + Rs.2.25 crore available on

account of reduction of WCTL outstanding due to payment).

****50 per cent of the WTCL instalment paid will be available for utilization as Letter of Credit subject to maximum of Rs.1.00 crore (Rs.2.00 crore LC limit + Max LC limit by way of repayment of WCTL is Rs.1.00 crore)**

Contacts

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About Acuite Ratings & Research:

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