



## Press Release

### ARCL Organics Limited

July 10, 2025

#### Ratings

| Instrument Facility /      | Amount (Rs. crore)                                         | Current Ratings                                                                                                       | Previous Ratings                                   | Rating Action                                       | <a href="#">Complexity Indicator</a> |
|----------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|-----------------------------------------------------|--------------------------------------|
| Long Term Bank Facilities  | 6.00                                                       | IVR BBB/ Rating Watch with Developing Implications (IVR Triple B under Rating Watch with Developing Implications)     | IVR BBB/ Stable (IVR Triple B with Stable Outlook) | Rating placed on watch with Developing implications | Simple                               |
| Short Term Bank Facilities | 9.85                                                       | IVR A3+/ Rating Watch with Developing Implications (IVR A Three Plus under Rating Watch with Developing Implications) | IVR A3+ (IVR A Three Plus)                         | Rating placed on watch with Developing implications | Simple                               |
| <b>Total</b>               | <b>15.85 (INR Fifteen Crore and Eighty-Five Lakh only)</b> |                                                                                                                       |                                                    |                                                     |                                      |

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### Detailed Rationale

The ratings of ARCL Organics Limited (AOL) have been placed on watch with developing implications. On July 3, 2025, the company received an order from The Honourable Calcutta High Court in which the Company is restrained by an order of injunction from operating its bank accounts linked with PAN - AACCA212IP without keeping apart a sum of Rs. 5.18 crore till the disposal of the suit. Infomerics Ratings takes note of the development and has placed the rating on watch with Developing implications. Infomerics Ratings will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the same on the credit risk profile of the company are clear.

The company continue to derive comfort from its long track record of operations under experienced promoters, satisfactory business performance of the company in FY25 [FY refers to the period from April 1 to March 31] along with its satisfactory financial risk profile. However, these rating strengths are partially offset by susceptibility of its profitability to volatility in raw material prices and exposure to competition from other players and forex risk.



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### **Key Rating Sensitivities:**

#### **Upward Factors**

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Sustenance of the capital structure with improvement in the debt protection metrics
- Effective working capital management with improvement in operating cycle and liquidity

#### **Downward Factors**

- Dip in operating income and/or profitability impacting the debt coverage indicators
- Any large debt funded capex leading to deterioration in the capital structure with overall gearing above 1.5x and/or interest coverage to below 3x
- Elongation in the operating cycle impacting the liquidity

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

- **Long track record of operations**

The company commenced its operations in 1992 and has a long track of nearly three decades in manufacturing petrochemical products. The long track record has helped the company to establish a healthy relationship with its customers and suppliers.

- **Experienced promoters**

The promoter, Mr. Suraj Ratan Mundra has long track record of managing the business of petrochemical products since last three decades. Before promoting ARCL Organics Limited- Mr Suraj Ratan Mundra promoted Allied Resins & Chemicals Limited in 1983 which was subsequently merged with ARCL Organics Limited in 2011. Currently, Mr. Suraj Ratan Mundra is at the helm of affairs of the company with support from his two sons Mr. Mukesh Mundra and Mr. Rajesh Mundra who have been in the business for the last two decades.

- **Satisfactory financial risk profile**

The financial risk profile of the company continued to remain satisfactory marked by its comfortable leverage ratios and net cash accruals leading to satisfactory debt service protection metrics. The overall gearing ratio remained comfortable at 0.47x as on March 31, 2025. Total indebtedness of the company also remained comfortable at 1.15x as on March 31, 2025 (1.34x as on March 31, 2024). Debt protection metrics as reflected by interest



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coverage ratio and Total debt to GCA stood comfortable at 4.88 times in FY25 and 1.92 year as on March 31, 2025 respectively. Infomerics Ratings expects the leverage and debt protection metrics of the company will remain comfortable in the near to medium term.

- **Satisfactory business performance in FY25**

The company's total operating income grew at a CAGR of ~21% over FY22-FY25. Total operating income in FY25 increased by ~31% on a y-o-y basis to Rs.250.59 crore mainly supported by higher sales volume of formaldehyde. Consequently, profit levels and gross cash accruals have also improved in FY25.

### **Key Rating Weaknesses**

- **Volatility in raw material prices and competition from other players**

The prices of the major raw materials i.e. methanol, phenol are volatile in nature. Any significant upward fluctuations and the inability of the company to pass on the same to its customers will lead to dip in profitability. Further, being in a competitive and fragmented nature of industry limits its bargaining power.

- **Exposure to forex risk**

The company is exposed to foreign currency-related risks due to its policy to keep exports unhedged. However, the company keeps its unhedged exposure at a low level. Moreover, the major raw material of the company is a crude oil derivative thus susceptible to fluctuations in crude oil prices and forex rates. Also, the imports provide a natural hedge to the company to some extent.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria for assigning Rating outlook](#)

[Policy on Default Recognition](#)

[Policy for Placing Ratings on Rating Watch](#)

[Complexity Level of Rated Instruments/Facilities](#)



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### **Liquidity – Adequate**

The liquidity position of the company is expected to remain satisfactory in the near to medium term marked by adequate cushion in expected accruals as against its repayment obligations. Further, the company has satisfactory gearing headroom on the back of its comfortable capital structure.

### **About the Company**

Incorporated in 1992, ARCL Organics Limited (formerly known as Allied Resins and Chemicals Ltd) is a Kolkata based company engaged in the manufacturing of chemicals such as Phenolics, Amino Resins, Melamine Resins and Formaldehyde. The products find their application in diversified industries such as in wood products industry as adhesives, textile industry, paper industry, healthcare industry etc. ARCL has the expertise to offer tailor-made solutions as per their client's requirements as well. At present, ARCL has a manufacturing capacity for Amino Powder of 15695 MT, PF Powder of 4380 MT and Formaldehyde of 108040 MT in Rampur, Maheshtala of West Bengal. In FY24, the company enhanced its production capacity for formaldehyde and it remained the major revenue contributor for the company.

### **Financials (Standalone):**

| For the year ended/ As on*  | (Rs. crore) |          |
|-----------------------------|-------------|----------|
|                             | 31-03-2024  | FY25     |
|                             | Audited     | Audited^ |
| Total Operating Income      | 190.72      | 250.59   |
| EBITDA                      | 19.57       | 23.75    |
| PAT                         | 10.70       | 11.75    |
| Total Debt                  | 28.87       | 35.10    |
| Tangible Net Worth          | 64.01       | 75.33    |
| Adjusted Tangible Net Worth | 62.78       | 74.11    |
| EBITDA Margin (%)           | 10.26       | 9.48     |
| PAT Margin (%)              | 5.53        | 4.64     |
| Overall Gearing Ratio (x)   | 0.46        | 0.47     |
| Interest Coverage (x)       | 4.70        | 4.88     |

\* Classification as per Infomerics' standards.

^Abridged

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Nil

**Rating History for last three years:**



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| Sr. No. | Name of Security/Facilities | Current Ratings (Year 2025-26) |                                |               | Rating History for the past 3 years     |                |                                         |                                           |
|---------|-----------------------------|--------------------------------|--------------------------------|---------------|-----------------------------------------|----------------|-----------------------------------------|-------------------------------------------|
|         |                             | Type                           | Amount outstanding (Rs. Crore) | Rating Rating | Date(s) & Rating(s) assigned in 2024-25 |                | Date(s) & Rating(s) assigned in 2023-24 | Date(s) & Rating(s) assigned in 2022-2023 |
|         |                             |                                |                                |               | Mar 25, 2025                            | July 3, 2024   | Apr 26, 2023                            | -                                         |
| 1.      | Cash Credit                 | LT                             | 6.00                           | IVR BBB/RWDI  | IVR BBB/Stable                          | IVR BBB/Stable | IVR BBB/Stable                          | -                                         |
| 2.      | Letter of Credit            | ST                             | 9.85                           | IVR A3+/RWDI  | IVR A3+                                 | IVR A3+        | IVR A3+                                 | -                                         |

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### About Infomerics:

Infomerics Valuation and Rating Limited [Formerly Infomerics Valuation and Rating Private Limited] (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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### Annexure 1: Instrument/Facility Details

| Name of Facility/<br>/Security | ISIN | Date of<br>Issuance | Coupon<br>Rate/ IRR | Maturity<br>Date | Size of<br>Facility<br>(Rs. Crore) | Rating<br>Assigned/<br>Outlook |
|--------------------------------|------|---------------------|---------------------|------------------|------------------------------------|--------------------------------|
| Cash Credit                    | -    | -                   | -                   | -                | 6.00                               | IVR BBB/ RWDI                  |
| Letter of Credit               | -    | -                   | -                   | -                | 9.85                               | IVR A3+/RWDI                   |

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-ARCL-Organics-10july25.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at <https://www.infomerics.com/>.