

ARCL Organics Limited

October 23, 2026

Rating Action

Total Bank Loan Facilities Rated	Rs. 80.00 Crore	Regulator[^]
Long Term Rating	IVR BBB/Stable (Rating Assigned)	RBI
[^] Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.		

Refer Annexures for details of facilities/instruments, facility wise lender details, and detailed explanation of covenants.

Note: None of the Directors on Infomerics Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

Rationale

The rating assigned to the bank facilities of ARCL Organics Limited (ARCL) draws strength from its sustained growth in operating income over the past three years and satisfactory financial risk profile, supported by stable operating profitability in FY26 [FY refers to the period from April 1 to March 31], which supports adequate cash accruals and debt-servicing capability. The rating also factors in ARCL's established track record of operations and the promoters' extensive industry experience, along with its diversified product portfolio and geographical presence, which mitigate concentration risks and enable the company to cater to varied end-user industries and markets. These rating strengths are constrained by ARCL's susceptibility to raw material supply disruptions and price volatility, which may adversely affect operating margins, particularly in the absence of timely pass-through of increased input costs to customers. Further, the company's exposure to foreign exchange fluctuations may adversely affect its profitability and cash flow. The rating also factors in project stabilization risk associated with the newly acquired Gujarat unit, as timely commencement and ramp up of operations, followed by achievement of envisaged capacity utilization and operational efficiencies, will be critical to realising the expected revenue and cash flow benefits.

Outlook: Stable

Stable outlook reflects the sustenance of business performance of the company backed by strong demand of the products supported by its diversified geographical presence.

Analytical Approach

Approach	Comments
Consolidation/ Standalone	Consolidated

	For arriving at the ratings, Infomerics has considered consolidated financial statement of ARCL Organics Limited
Parent/ Group Support	Not Applicable

List of companies considered for consolidation/combined analysis is given at Annexure 4.

Key Rating Drivers with Detailed Description

Strengths

Healthy revenue growth with stable operating profitability

ARCL has demonstrated healthy growth in scale, with TOI increasing from Rs.190.72 crore in FY24 to Rs.272.31 crore in FY26, registering a CAGR of around 19.5%. The growth was supported by a 22.9% increase in sales volume, from 59,158 MT in FY24 to 72,697 MT in FY26, along with improvement in average sales realisation of the major revenue generating products like Formaldehyde, Amino Powder, AQUA SB & PF Powder. Despite the increase in key input costs, particularly methanol prices, the company was able to sustain its operating profitability, with EBITDA margin improving from 10.13% in FY24 to 11.07% in FY26. Although PAT moderated from Rs.12.33 crore in FY25 to Rs.5.19 crore in FY26, the decline was primarily attributable to exceptional, one-time and non-operating expenditures towards settlement of legacy matters, including Customs duty of Rs.2.74 crore, Municipal dues of Rs.4.40 crore and legacy Income tax liability of Rs.5.29 crore. Despite the lower reported PAT, gross cash accruals increased from Rs.18.90 crore in FY25 to Rs.20.96 crore in FY26, reflecting healthy internal cash generation. Further, during Q1FY27, ARCL reported operating revenue of Rs.66.95 crore as against Rs.67.34 crore in Q1FY26, while operating profitability improved, supported by higher sale realisation of end product underpinned by increase in methanol (raw material) prices. Going forward, the company is expected to benefit from the commissioning of its newly acquired Gujarat manufacturing unit, which is expected to become operational from Q4FY27, providing an additional avenue for capacity expansion and supporting further growth in scale.

Satisfactory financial risk profile

ARCL's financial risk profile remained satisfactory, supported by an adjusted tangible net worth of Rs.81.15 crore as on March 31, 2026. Total debt increased from Rs.34.02 crore in FY25 to Rs.70.93 crore in FY26, primarily due to higher working-capital requirements and the term loan availed towards the newly acquired Gujarat manufacturing unit. Accordingly, adjusted gearing slightly moderated from 0.48x as on March 31, 2025, to 0.87x as on March 31, 2026, while Total Debt/EBITDA increased from 1.43x in FY25 to 2.35x in FY26. Overall indebtedness marked by TOL/Adjusted TNW remained satisfactory though moderated to 1.70x as on March 31, 2026, as against 1.29x as on March 31, 2025. Despite the increase in leverage, debt protection indicators

remained comfortable, with interest coverage and DSCR stood at 6.08x and 3.75x, respectively, in FY26 (FY25: 5.67x and 4.03x respectively). Infomerics believes that the overall financial risk profile of the company will remain satisfactory in the medium term, supported by adequate net worth, healthy cash accruals and comfortable debt servicing indicators.

Diversified product portfolio and geographical presence

ARCL's presence across multiple product segments, including Formaldehyde, Amino Powder, AQUA SB and PF Powder, along with a diversified customer base across domestic and export markets, reduces product and geographical concentration risk. This diversification provides resilience against demand and pricing volatility in any single segment or market and supports greater stability in revenue and cash flows, thereby strengthening the company's overall credit profile.

Long track record of operations backed by experienced promoters

ARCL commenced its operations in 1992 and has a long-established track of nearly three decades in the chemical industry, supported by its experienced promoter-management. Mr. Suraj Ratan Mundhra, Chairman & Managing Director, has over five decades of experience in the chemical industry, providing strong industry knowledge and strategic oversight. 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 more than two decades. The longstanding presence of the promoters and established operating track record provide comfort regarding business continuity, operational execution and the company's ability to navigate industry cyclicity and market volatility, thereby supporting its overall credit profile.

Weaknesses

Exposure to Forex Risk

ARCL remains exposed to foreign currency fluctuations arising from its export receivables and import payables. As per the latest UFCE certificate as on September 30, 2026, the company had unhedged foreign currency receivables of ~Rs.22.02 crore and unhedged foreign currency payables of ~Rs.19.64 crore, resulting in a net open foreign currency position of Rs.2.38 crore receivable. The relatively low net open position provides a natural offset between foreign currency assets and liabilities and limits the company's net transaction exposure. Nevertheless, adverse exchange-rate movements could impact profitability and cash flows, and the company's foreign currency exposure remains a monitorable.

Exposure to raw material price volatility

ARCL remains exposed to volatility in the prices of key raw materials, particularly methanol, phenol and melamine, which constitute a significant portion of its input costs. Fluctuations in these input prices can exert pressure on operating margins, particularly given the limited pricing power in certain product segments and the time lag in passing on cost increases to customers. ARCL procures Methanol from both Saudi Arabia and domestic suppliers, with imports routed through Kolkata port. The recent escalation of tensions in West Asia has raised concerns around methanol supply disruptions, which could lead to higher procurement and logistics costs and, in case of prolonged disruption, affect production volumes and operating profitability. High dependence on external suppliers and any disruption in imports or logistics remain key monitorable.

Project stabilisation risk

ARCL's newly acquired Gujarat manufacturing unit, having capacity of 49,500 TPA of formaldehyde and 60,000 TPA of resins, is expected to become operational from Q4FY27. The company remains exposed to stabilisation and ramp-up risks associated with the new facility, including achieving the envisaged capacity utilisation and operating efficiencies. Any delays in stabilisation or slower-than-expected ramp-up could constrain the expected benefits from the investment and impact profitability and cash flows.

Liquidity –Adequate

ARCL reported negative cash flow from operations (CFO) in FY26 due to working capital absorption which is expected to improve and remain comfortable over FY27-FY29, supported by expected improvement operating performance. Net Cash accrual stood at Rs.20.96 crore in FY26 and is expected to be in the range of Rs.23-26 crore during FY27-FY29, providing adequate support for meeting debt repayment obligations in the aforesaid period. Moreover, ARCL has a satisfactory gearing headroom marked by its comfortable capital structure. Besides, the average working capital utilisation of ARCL in the past 12 months ended June 2026 remained at ~53% indicating satisfactory liquidity buffer.

Rating Sensitivities**Upward Factors**

- Substantial and sustained growth in scale of operations with improvement in profitability and cash accrual on a sustained basis

- Improvement in capital structure marked by improvement in Total debt/EBITDA to below 2x and debt service coverage indicators marked by interest coverage to above 4x on a sustained basis

Downward Factors

- Decline in operating income and profitability leading to deterioration in gross cash accruals on a sustained basis.
- Any unplanned capex, and/or substantial increase in working capital borrowings leading to deterioration in the capital structure and moderation in Total debt/EBITDA to above 4x and interest coverage to below 2x
- Moderation in operating cycle to more driven by pile-up of inventory or stretch in receivables impacting the liquidity

About the Company

ARCL Organics Limited (ARCL), incorporated in 1990, is engaged in the manufacturing and sale of chemical-based products, including resins, additives, hardeners and specialised one-shot resins. The company operates its principal manufacturing facility at Maheshtala, West Bengal, and caters to both domestic and export markets. It has further expanded its manufacturing capabilities through the acquisition of manufacturing assets at Kadadra, Gujarat. The company is promoted and managed by the Mundhra family, led by Mr. Suraj Ratan Mundhra, Chairman and Managing Director, who has over five decades of experience in the chemicals, petrochemicals and specialty chemicals industries.

Key Financial Indicators (Consolidated):

For the year ended/ As on*	31-03-2025	31-03-2026	Q1FY2027
	Audited	Audited	Audited
Total Operating Income	250.59	272.31	66.95
EBITDA	23.81	30.14	15.63
PAT	12.33	5.19	9.12
Total Debt	34.02	70.93	-
Tangible Net Worth (TNW)	77.45	82.20	-
EBITDA Margin (%)	9.50	11.07	23.34
PAT Margin (%)	4.88	1.88	13.43
Overall Gearing (times)	0.48	0.87	-
Interest Coverage (times)	5.67	6.08	8.93

*Classification as per Infomerics' standards; Amount in Rs. Crore; Source: Company

Key Financial Indicators (Standalone):

For the year ended/ As on*	31-03-2025	31-03-2026	Q1FY2027
	Audited	Audited	Audited
Total Operating Income	250.59	272.31	66.95
EBITDA	23.76	30.11	15.48
PAT	11.75	4.68	8.91
Total Debt	35.10	79.63	-
Tangible Net Worth (TNW)	75.34	79.82	-
EBITDA Margin (%)	9.48	11.06	23.12
PAT Margin (%)	4.65	1.70	13.13
Overall Gearing (times)	0.52	1.03	-
Interest Coverage (times)	4.88	5.37	8.19

*Classification as per Infomerics' standards; Amount in Rs. Crore; Source: Company

Applicable Criteria

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

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

[Consolidation of Companies](#)

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years

Sr. No.	Instruments / Facilities	Current Ratings (Year 2026-27)			Rating History for the past 3 years				
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2025-26		Date(s) & Rating(s) assigned in 2024-25		Date(s) & Rating(s) assigned in 2023-24
					Nov 25, 2025	July 10, 2025	Mar 25, 2025	July 03, 2024	Apr 26, 2023
1.	Fund based facilities	LT	80.00	IVR BBB/Stable	Withdrawn	IVR BBB/RWDI*	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable
2	Non-Fund based facilities	ST	-	-	Withdrawn	IVR A3+/RWDI*	IVR A3+	IVR A3+	IVR A3+

* Rating Watch with Developing Implications

Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISI N	Date of Issuance	Coupon Rate/ IRR	Maturit y Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook	Listing Status	Regulator^	<u>Complexity Indicator</u>
Term loan	-	-	-	Dec 2031	20.00	IVR BBB /Stable	NA	RBI	Simple
Cash Credit	-	-	-	-	60.00	IVR BBB /Stable	NA	RBI	Simple

^Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure 2: Facility wise lender details:

https://infomericstorage.blob.core.windows.net/uploads/len_arcl_oct26_4897072ec9.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**Annexure 4: List of companies considered for Consolidated/Combined analysis:**

Name of the Entities	Extent of Consolidation	Rationale for Consolidation
Yocnex Chemicals Private Limited	Full Consolidation	Wholly Owned Subsidiary
Suksess Chemicals Private Limited	Full Consolidation	
Nocnex Chemicals Private Limited	Full Consolidation	
Ocilim Advisory Services Private Limited	Full Consolidation	
Wide Range Merchants Private Limited	Full Consolidation	
Allied Maritime & Infra Engineering Private Limited	Full Consolidation	
ARCL Petrochemicals Limited	Full Consolidation	

Annexure 5: List of activities / instruments and names of regulators

Sr. No.	Instrument / activity Name	Regulator of the instruments
1	Listed/Proposed to be listed bonds/debentures/preference share (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI)* \$	RBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI)*	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI)*	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/FIs ^	RBI
9	External Commercial Borrowings and other similar borrowings	RBI
10	Certificates of Deposit	RBI
11a	Fixed Deposits raised by NBFCs, HFCs, FIs	RBI
11b	Fixed Deposits raised by Banks	+

12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Borrowing programme ~	-
15	Issuer Ratings #	-
16	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
17	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18	Listed Security Receipts \$	RBI
19	Unlisted Security Receipts	RBI
20	Independent Credit Evaluation (ICE)	RBI
21	Expected Loss Ratings (for Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/Fis)	+
22	Expected Loss Ratings (Listed/Proposed to be listed bonds/debentures/preference share (all securities))	SEBI
23	Expected Loss Ratings (Unlisted/Proposed to be unlisted Bonds/Debentures/Preference share (all securities))	MCA
24	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) *	Investor-side regulator such as IRDAI, PFRDA @

Footnotes:

* Includes securitisation transactions involving assignee payout, acquirer's payout.

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In PRs subsequent to issuance(s), Infomerics Valuation and Rating Limited shall separately capture the rated quantum details along with names of respective regulators.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

@ These ratings were assigned during regulatory regime prior to introduction of SEBI CRA Circular dated Feb 10, 2026 and the investor side regulators have accordingly been included.

\$ By virtue of the instrument being listed, SEBI acts as the regulator for listing and related issues.

+ To be finalized following a discussion with the regulatory authorities.

Note: For activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

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