Archit Organosys Limited

Instrument	Amount Rated	Rating Action
Cash Credit	Rs. 7.50 crore (enhanced from Rs. 3.00 crore)	[ICRA]B+ reaffirmed
Term Loan	Rs. 29.28 crore (enhanced from Rs. 0.38 crore)	[ICRA]B+ reaffirmed
Unallocated Limit	Rs. 0.85 crore	[ICRA]B+ assigned
FDBP/FUDBP*	Rs. 8.00 crore (enhanced from Rs. 5.00 crore)	[ICRA]A4 reaffirmed
Letter of Credit^	Rs. 4.00 crore	[ICRA]A4 reaffirmed
Letter of Guarantee	Rs. 0.75 crore	[ICRA]A4 assigned

^includes BG/Buyer's Credit sublimit of Rs. 3.00 crore
**includes Packing Credit sublimit of Rs. 8.00 crore, Cash Credit sublimit of Rs. 1.50 crore and IDBP and IUDBP sublimit of Rs. 1.00 crore*

ICRA has reaffirmed/assigned the rating of [ICRA]B+ (pronounced ICRA B plus) to the Rs. 36.78 crore[1] long term fund based facilities and to the Rs. 0.85 crore unallocated limit of Archit Organosys Limited (AOL)[2]. ICRA has also reaffirmed/assigned the short term rating of [ICRA]A4 (pronounced ICRA A four) to the Rs. 12.75 crore short term fund-based/non-fund based facilities of AOL.

The reaffirmation/assignment of the ratings takes into account the large size of the ongoing capital expenditure programme for setting up a new plant as compared to the current balance sheet size exposes the company to project execution risks and is also likely to result in moderation of the return and debt coverage indicators in the near term. The ratings also remain constrained by the company's relatively moderate size of current operations in the chemical industry with stagnancy in the operating income with the plant operating at full utilisation levels; though the setting up of the new plant is however expected to aid in scaling up of operations, going forward. Further, the ratings continue to factor in the vulnerability of the company's profitability to raw material price fluctuations as well as to fluctuations in the foreign currency exchange rate given the high proportion of exports of total manufacturing sales, though the latter risk is partly mitigated owing to hedging undertaken by booking of forward contracts. ICRA has also taken a note of the contingent liability of the company related to forex losses on matured derivative contracts incurred in FY 2009 and interest thereon aggregating to Rs. 1.47 crore as on 31st March 2016 (11% of Tangible net worth as on 31st March 2016); while the matter is currently under litigation, any unfavourable developments on the matter may impair the financial profile of the company and constitutes an event based risk.

The reaffirmation/assignment of ratings, however, favourably factor in the improvement in the capital structure backed by the improved net worth base. Further, the ratings continue to favourably factor in the longstanding experience of the promoters in the chemical industry; the company's diversified revenue channels in the form of manufactured and trading sales and its diversified customer base.

Company Profile
Archit Organosys Limited (formerly Shri Chlochem Limited) was incorporated in 1989 for the production of organic intermediates viz. Mono Chloro Acetic Acid (MCAA) and Sodium Mono Chloro Acetate (SMCA). The company's manufacturing unit is located at Naroda GIDC, Ahmedabad in Gujarat with a production capacity of 6000 metric tonne per annum (MTPA) of Mono Chloro Acetic Acid (MCAA). The company is currently setting up a new unit at Bhavnagar, Gujarat which will enable it to manufacture additional 12,000 MTPA of MCAA as well as venture into manufacture of higher value added Chloroacetyl Chloride (CAC) with an installed capacity of 3000 MTPA. The company sells its chemical products both in the domestic and international markets. The company is also involved in trading of organic and specialty chemicals namely Ethyl Acetate, Acetic Anhydride, Toluene etc.

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[1] 100 lakhs = 1 Cr = 10 million
[2] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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