

## Archean Chemical Industries Private Limited <sup>(REVISED)</sup>

| Instrument                       | Amount      | Rating Action       |
|----------------------------------|-------------|---------------------|
|                                  | In Rs Crore | November 2016       |
| Long term, Term Loans            | 599.0       | [ICRA]D; reaffirmed |
| Long term, Fund based facilities | 99.0        | [ICRA]D; reaffirmed |

ICRA has reaffirmed the rating of **[ICRA]D** (pronounced as ICRA D) to the Rs 698.0 crore<sup>1</sup> long term term loan and fund based working capital facilities of Archean Chemical Industries Private Limited (ACIPL).<sup>2</sup>

The rating reaffirmation takes into account the continuing delays in debt servicing following from the large delay in achieving full commercial operation, the resultant cost overrun, delay in ramp up of SOP production and an unfavourable debt repayment schedule.

The rating considers the gradual increase in the production volumes of the products post COD – especially bromine and industrial salt; and, the offtake agreements signed for salt and SOP which restricts the marketing risk significantly. Despite the higher volumes, the accruals have been lower than expected due to the moderation in the international prices of industrial salt and sulphate of potash leading to higher cash shortfall. The shortfall was being met through advances from Sojitz Corporation (minority shareholder & sole customer for industrial salt) towards salt purchase. Nevertheless with increasing debt repayments, considering that the amortisation schedule for the term loans has not been revised despite the delay in full commercial operation, the liquidity stress has increased and consequently the company has delayed its debt repayments. The promoters have been unable to infuse the requisite additional funds due to the weak financial profile of the Group. The management has proposed a restructuring of the debt under the S4A restructuring scheme and the lenders have provided their in-principle approval; final approval of the same by the lenders with favourable interest rate and tenor will be critical for the improvement of the financial profile.

### Company Profile

Archean Chemical Industries Private Limited (ACIPL), incorporated in July 2009, has set up an integrated marine chemicals complex for producing sulphate of potash (SOP), industrial salt and bromine. ACIPL is part of the Archean Group, which has interests in chemicals, minerals, mining, oil and gas and renewable energy. The project is located in Hajipir, in the Kutch district of Gujarat. The integrated complex utilizes naturally available brine flowing over marine mineral deposits in the Rann of Kutch. The Archean Group is already one of the leading producers of industrial salt in the country; through this project it has also become the first domestic manufacturer of SOP. The project was commissioned in June 2015.

### Recent Results

For the financial year ended March 2016, the company reported a net loss of Rs. 86.6 crore on an income of Rs. 340.5 crore as against reported a net profit of Rs. 60.3 crore on an income of Rs. 225.0 crore in FY 2015.

**November 2016**

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<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



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