Ambuja Intermediates Private Limited

April 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	15.00	CARE BBB-; Stable	Assigned
Long-term / Short-term bank facilities	52.50	CARE BBB-; Stable / CARE A3	Downgraded from CARE BBB; Stable / CARE A3+
Short-term bank facilities	22.50	CARE A3	Downgraded from CARE A3+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Ambuja Intermediates Private Limited (AIPL) considers continued subdued profitability with net losses in FY24 (FY refers the April 01 to March 31) and 9MFY25, resulting moderation in its overall debt coverage indicators. Profitability was impacted owing to elevated input prices which the company could not pass-on to end-customers entirely owing to subdued demand scenario.

Ratings continue to derive strength from its established operations in dye intermediates business, geographically diversified revenue stream and longstanding association with reputed clientele. Ratings also factor in AIPL's moderate capital structure and adequate liquidity.

However, ratings continue to remain constrained considering moderate scale of operations. profitability susceptible to raw material price volatility and foreign exchange rate fluctuations, presence in a competitive and cyclical dye intermediate industry with adherence required to stringent pollution control norms and its non-integrated operations. Ratings also remain constrained by AIPL's significant exposure in the form of loans and advances (L&A) to external entities, majority of which are engaged in unrelated businesses and have a weak credit profile, which exposes AIPL to the risk involved in those businesses.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in profitability with profit before interest, lease rentals, depreciation and tax (PBILDT) margin above 7% on a sustained basis.
- Recoupment of significant amount of the loans and advances extended by it to external parties resulting in improvement in capital structure and liquidity profile of the company on a sustained basis.

Negative factors

- Decline in total operating income (TOI) to below ₹200 crore along with continued subdued profitability resulting in cash loss on sustained basis.
- Deterioration in capital structure with overall gearing beyond 0.75x on sustained basis.
- Loans and advances extended by AIPL to entities exceeding 70% of the net worth or delay in recovery of the same adversely impacting the liquidity profile of the company.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited's (CARE Ratings') view that AIPL is likely to sustain is moderate financial risk profile on the back low debt levels along with absence of major debt-funded capex plans, while entity continue benefiting from its established position in the dyes intermediates industry.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Detailed description of key rating drivers:

Key strengths

Established track record of operations in dye intermediates industry

AIPL has an established track record of over three decades in the dye intermediates industry. The company is engaged in manufacturing of dye intermediates, majorly including H-Acid and Di-amino Sulphanilide (DASA) forming over 50% of total sales; along with Sulpho J, M-Acid and Tetrachlorobenzene (TCB). These products are manufactured from chemicals such as naphthalene, calcium carbonate, oleum, sulphuric acid, caustic soda flakes and para nitro aniline as well as other crude oil and sulphur derivatives. While H-Acid, DASA, Sulpho-J and M-Acid are used primarily in manufacturing dyes, TCB finds application in manufacturing pigments.

Over the years, AIPL has scale-up of manufacturing capacity and presently has installed capacity of 6,150 metric tonne per annum (MTPA) as on March 31, 2024. AIPL's promoters have vast experience in managing businesses across industries such as dye and dye intermediates, solvent extraction, metal trading, power generation, real estate development, and construction.

Geographically diversified revenue stream along with long-standing association with reputed clientele

AIPL has geographically diversified revenue stream with exports constituting ~44% (FY23: ~47%) of gross chemical segment sales in FY24. AIPL sells its products through direct marketing catering some leading end users of dye industry in domestic market as well as foreign markets such as China, Thailand, Korea, Taiwan, Germany, Japan, UK and Mexico. With an established track record of over three decades and strict adherence to quality standards and delivery timelines, AIPL has been able to generate repeat orders from its clients. AIPL's Quality Control Order (QCO) certification enables seamless export execution by meeting global quality standards. Additionally, stricter duties on China's chemical sector position India to gain market share, supporting AIPL's global growth.

Moderate capital structure and debt coverage indicators

AIPL's capital structure remained moderate with an overall gearing of 0.31x (PY: 0.30x) as on March 31, 2024. Adjusted overall gearing (tangible net-worth adjusted for investments in subsidiaries and L&A extended by AIPL) stood moderately high at 1.19x (PY:1.15x) as on March 31, 2024, and 1.34x as on December 31, 2024. Moderation in the capital structure as on December 31, 2024, was on account of increase in the debt level along with moderation in the tangible net-worth base due to buy-back done in 9MFY25. The buyback was fully funded through partial recovery of loans and advances as on December 31, 2024.

AIPL is implementing a solar project as well as installing a new boiler for a total cost of ~₹19 crore, for which a new term loan of ~₹15 crore is planned, considering which capital structure is envisaged to further moderate in the medium term.

While there were operating losses in FY24 and 9MFY25, debt coverage indicators remained moderate marked by total debt to gross cash accruals (TD/GCA) of 22.45x in FY24 and 14.34x in 9MFY25.

Key weaknesses

Moderate scale of operations albeit continued subdued profitability resulting in net losses in FY24 and 9MFY25

AIPL operates on the moderate base with TOI of ₹242.26 crore (FY23: ₹241.77 crore) in FY24 and ₹173.12 crore in 9MFY25. Profitability of AIPL continued to remain subdued with operating loss of ₹9.20 crore in FY24 (operating loss of ₹14.86 crore in FY23) and ₹3.82 crore in 9MFY25. With the moderate depreciation and interest and finance cost, AIPL reported net loss of ₹2.80 crore in FY24 and ₹0.23 crore in 9MFY25.

Despite subdued profitability, losses remained comparatively low on account of receipt of interest income on L&A extended by AIPL. GCA too remained low at ₹3.61 crore in FY24 and ₹4.27 crore in 9MFY25.

The company's return indicators, specifically return on capital employed (ROCE) and return on net worth (RONW), remained subdued over the last few years, negatively affecting its overall business risk profile.

Sizeable loans and advances extended to external entities, some of which are engaged in unrelated businesses

AIPL has extended interest-bearing loans to external entities, some of which are engaged in unrelated businesses including real estate, non-banking financial companies (NBFCs) and trading different commodities. While these loans have been extended out of the surplus funds available with AIPL, it exposes the company to risks involved in these businesses. As on March 31, 2024, the said L&A formed ~68% of AIPL's net worth (FY23: ~60%). However, company receives interest income from the same to the tune of ₹15 to 17 crore, annually. Counterparty concentration remains low with loans and advances being extended to large number of entities/individuals which are largely known parties. Future policy of AIPL regarding extending loans to external entities along with the timely recovery thereof would be a key rating monitorable.

Susceptibility of profitability to raw material price volatility and foreign currency rate fluctuation and non-integrated operations
AIPL's raw material constitutes primarily of petroleum and sulphur derivatives, prices of which have exhibited volatility aligned with crude oil prices in international markets. This makes AIPL's profitability vulnerable to adverse movements in raw material prices given the limited bargaining power against its customers, competitive intensity in the industry, and the company's non-integrated operations.
AIPL is also exposed to foreign currency fluctuation risk as export sales constituted ~44% gross chemical sales in FY24, while its raw material imports constituted ~5% of total cost of sales translating to minimal natural hedge. To counter this, AIPL generally hedges some portion of its exposure through forward cover and availing working capital borrowings in foreign currency.

Presence in a competitive dye intermediate industry with strict adherence required to stringent pollution control norms
The dye intermediate industry is highly fragmented with presence of large number of organised and unorganised players which has led to intense competition in the industry and limited bargaining power of manufacturers. Manufacturing dye intermediates result in generation of hazardous waste. Players in this industry have to adhere to stringent pollution control norms prevailing from time-to-time which entail regular capex requirement towards the same to meet the updated requirements. However, AIPL has adopted steps such as adoption of clean technology, setting of zero effluent discharge (ZED) plant and reuse of recycled water.

Liquidity: Adequate
Liquidity of AIPL is adequate with low scheduled repayments over medium term compared to its envisaged cash accruals and moderate operating cycle. Average utilisation of the fund-based working capital limit stood at ~84% for the last 12 months ended December 2024. Cash flow from operations stood negative in the last two years at ₹2.35 crore in FY24 and ₹4.16 crore in FY23. It has low free cash and bank of ₹0.20 crore as on March 31, 2024.
AIPL is required to maintain inventory for raw material due to a wide product basket to fulfil orders on time. It offers credit period between 60 to 90 days to its customers per industry standards, while it receives credit period between 30 to 45 days from its suppliers. Operating cycle of the company improved from 122 days in FY23 to 110 days in FY24.

Applicable criteria

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals and petrochemicals	Dyes and pigments

Incorporated in 1988, Ahmedabad (Gujarat) based, AIPL is primarily engaged in manufacturing dye intermediates. Currently, the company has its manufacturing facilities at Mehsana, Gujarat and Vatva – GIDC, Ahmedabad with an installed capacity of 6,150 MTPA for manufacturing dye intermediates and speciality chemicals, dyestuff, and organic pigments as on March 31, 2024. AIPL has also installed three windmills – two at Jamnagar, Gujarat, and one at Kutch, Gujarat having aggregate power generation capacity of 3 mega-watt (MW) as on March 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	241.77	242.26	173.12
PBILDT	-14.86	-9.20	-3.82
PAT	-13.93	-2.80	-0.83
Overall gearing (times)	0.30	0.31	0.36
Interest coverage (times)	NM	NM	NM

A: Audited UA: Unaudited; NM: Not Meaningful; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	March 2030	15.00	CARE BBB-; Stable
Fund-based - ST-EPC/PSC	-	-	-	-	22.50	CARE A3
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	-	-	-	-	52.50	CARE BBB-; Stable / CARE A3

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Non-fund-based - ST-Letter of credit	ST	-	-	-	-	-	1)Withdrawn (31-Mar-22)
2	Fund-based - LT-Cash Credit	LT	-	-	-	-	-	1)Withdrawn (31-Mar-22)
3	Fund-based - LT/ ST-EPC/PSC	LT/ST	-	-	-	-	-	1)Withdrawn (31-Mar-22)
4	Fund-based - LT/ ST-EPC/PSC	LT/ST	-	-	-	-	-	1)Withdrawn (31-Mar-22)
5	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	52.50	CARE BBB-; Stable / CARE A3	-	1)CARE BBB; Stable / CARE A3+ (26-Mar-24) 2)CARE BBB; Stable / CARE A3+ (05-Apr-23)	-	1)CARE BBB+; Stable / CARE A2 (31-Mar-22)
6	Fund-based - ST-EPC/PSC	ST	22.50	CARE A3	-	1)CARE A3+ (26-Mar-24) 2)CARE A3+ (05-Apr-23)	-	1)CARE A2 (31-Mar-22)
7	Fund-based - LT-Term Loan	LT	15.00	CARE BBB-; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities – Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - ST-EPC/PSC	Simple
3	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please click here

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact	**Analytical Contacts**
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Ankur Sachdeva Senior Director **CARE Ratings Limited** Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Kalpesh Ramanbhai Patel Director **CARE Ratings Limited** Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in Jignesh Trivedi Assistant Director **CARE Ratings Limited** Phone: 079-40265631 E-mail: jignesh.trivedi@careedge.in Bhaumik Shah Analyst **CARE Ratings Limited** E-mail: Bhaumik.shah@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

For detailed Rationale Report and subscription information,
please visit www.careedge.in