

Hindusthan Speciality Chemicals Limited

June 23, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	79.05	CARE BB (RWD)	Placed on Rating Watch with Developing Implications
Long Term / Short Term Bank Facilities	98.84	CARE BB / CARE A4 (RWD)	Placed on Rating Watch with Developing Implications

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE Ratings Limited (CareEdge Ratings) has placed the ratings assigned to bank facilities of Hindusthan Speciality Chemicals Limited (HSCL) on 'Rating watch with Developing Implications' on account of announcement on stock exchange (dated June 12, 2025) by Hindusthan Urban Infrastructure Limited (HUIL; Parent entity) pertaining to sale of its entire holding (i.e. 58.50%) in HSCL (presently a material subsidiary of HUIL), subject to necessary approvals from various stakeholders. As per the announcement, for the proposed sale, HUIL will enter into share purchase agreement with M/s. DCM Shriram Limited (i.e. buyer, to be acquired either by themselves and/or through their affiliates) for an aggregate consideration of Rs.219.38 crore, including adjustment of term debt. This transaction is expected to be completed by August 31, 2025. Upon completion of the transaction, HSCL will cease to be a subsidiary of the Company. CARE Ratings would await further developments and shall take a view on the ratings once the impact of the same on the standalone credit profile of HSCL is clear.

Ratings continue to remain constrained on account of continued subdued financial performance of company with cash losses reported in last three years ended FY25 (refers to period April 1 to March 31), largely funded by promoter group entities in the form of infusion of unsecured loans. Ratings are further constrained by company's moderate capital structure, stretched liquidity necessitating high dependence on fund infusion by group entities, vulnerability of its profitability to volatile input prices and foreign exchange fluctuation and its presence in an intensely competitive and fragmented chemical industry.

However, ratings derive strength from HSCL's experienced promoters with long track record of operations in chemicals industry, its moderate scale of operations with diversified product offerings and an increased focus on research-oriented specialty chemical products. CARE Ratings Limited (CareEdge Ratings) also considers the demonstrated track record of timely funding support derived by HSCL from its promoter group entities.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in total operating income (TOI) above ₹350 crore on a sustained basis.
- Improving profitability with profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of 12% and above.
- Improving total outside liabilities (TOL)/tangible net worth (TNW) to below 4x on a sustained basis.

Negative factors

- Declining TOI below ₹300 crore with further increase in cash losses.
- Discontinuance of funding support from group entities.

Analytical approach: Standalone, with factoring support from promoter group entities. The company is benefited from the continuous support from its group entities by way of unsecured loans to meet the debt servicing and working capital requirements.

Outlook: Not applicable

Detailed description of key rating drivers:

Key weaknesses

Subdued financial performance with continued cash losses

Owing to moderation in scale and an increase in the input cost, HSCL reported cumulative cash losses of ₹114 crore in last three years ended FY25.

¹Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

Losses are largely being funded by promoter group entities in form of infusion of unsecured loans which stood at ₹201.63 crore as on March 31, 2025.

HSCL has terminated the fixed quantity contract and has increased its focus from commodity grade to research-oriented specialty chemicals in the overall product mix, which is expected to positively impact company's margins going forward.

Moderate capital structure with high dependence on funding support from group entities

HSCL has reported net losses in the last three years ended FY25 resulting into deterioration in its net worth base, while the debt levels remained largely stable at FY25 end. However, the company is deriving funding support by way of unsecured loans (interest bearing but not paid) from its group entities to meet the repayment/working capital requirements. Considering subordination of these unsecured loans to bank debt and thus treating the same as quasi equity, HSCL's capital structure stood moderate marked by an overall gearing (excluding acceptances) of 0.77x at FY25 end (0.68x at FY24 end).

Exposure to raw material volatility and foreign currency fluctuations

Two main raw materials used by HSCL are diphenylamine (DPA) and epichlorohydrin (ECH), which are derivatives of crude oil; hence, its raw material prices vary with the fluctuation in international crude oil prices. Also, HSCL imports 90%-95% of its raw material requirement mainly from Korea and Thailand and orders for raw materials are placed on M-2 basis (2 months in advance of need) which exposes company's profitability to foreign exchange fluctuations. However, company hedges most of the foreign exchange exposure which mitigates this risk to an extent.

Presence in a fragmented and competitive industry

The chemical industry is highly fragmented with the presence of both organised and unorganised players providing similar products. Hence, the company faces competition from regional players leading to intense competition and pricing pressures, which in turn affect the company's profitability margins. However, the company is benefited from the group's strong track record, support extended by group entities with company's increased focus from commodity grade to research-oriented specialty chemicals in the overall product mix, which shall lead to improvement in profitability over the years.

Key strengths

Moderate scale of operations with diversified product offerings

In FY25, company's TOI stood moderate at ₹274.14 crore (₹296.20 crore in FY24). The marginal moderation in scale in FY25 was mainly due to continued subdued demand of chemicals due to the global economic slowdown, leading to weakness in demand in key export markets.

HSCL is benefited by its diversified product offering in chemical segment, categorised into industrial products and speciality products; with wide applications in civil construction, coatings, electrical & electronics, composites, laminations, adhesives, tooling and other niche end-use segments.

In industrial products category, HSCL offers commodity grade chemicals such as liquid epoxy resin (LER), solid epoxy resin (SER) and solvent cut, whereas formulations are the speciality chemicals products offered by the company. HSCL has increased its focus on research-oriented specialty chemicals, as this segment faces less competition due to customised product offerings and as a result command better margins in comparison to commodity grade chemicals.

Promoters' extensive experience with the group's long track record of operations

HSCL is the part of 'The Hindusthan Group', founded in 1947 by late R. P. Mody, the founder chairman of the group. The group has PAN-India presence with business diversified across verticals such as engineering, chemicals, power and renewable energy, agriculture and education.

Company's key management has three to four decades of experience across diversified business segments. Promoter group's longstanding presence in the industry has aided HSCL to establish relationship with reputed clientele base and diversify its product profile in a short span of time. The management is supported by an experienced team to manage the company's overall operations.

Liquidity: Stretched

Company's liquidity is stretched marked by cash losses registered in last three years ended FY25. However, the company is supported by infusion of funds by promoter group entities for repayment of term debt obligations and working capital requirements. Working capital cycle stood comfortable at 47 days at FY25 end (34 days at FY24-end).

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)
[Factoring Linkages Parent Sub JV Group](#)
[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 & Petrochemicals	Specialty Chemicals

HSCL is a part of the 'Hindusthan Group' and was incorporated as wholly-owned subsidiary of Hindusthan Urban Infrastructure Limited (HUIL, rated 'CARE BB; Stable/CARE A4') in 2003, as Bharat Electric and Industries Limited, and was subsequently renamed to its present one in 2013. As on March 31, 2024, HUIL holds 58.50% equity stake in HSCL, whereas Hindusthan Consultancy and Services Limited and HEIL have 10.37% equity stake each in HSCL, remaining is held by others.

HSCL is engaged in manufacturing epoxy resin (ER) reactive diluents, curing agents and speciality epoxy system at its manufacturing plant at GIDC Industrial Estate of Jhagadia near Ankaleshwar, Gujarat. The plant's commercial production started from March 2019. The company's products find application in civil construction, coatings, electrical & electronics, composites, laminations, adhesives, tooling, and other niche end-use segments.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (Prov)
Total operating income	363.06	296.20	271.14
PBILDT	-23.84	-2.17	-8.69
PAT	-47.48	-32.85	-28.46
Overall gearing (excluding acceptances) (times)	4.97	0.68	0.77
Interest coverage (times)	NM	NM	NM

A: Audited; Prov: Provisional; NM: Not Meaningful Note: these are latest available financial results

Status of non-cooperation with previous CRA: Infomerics has conducted the review based on best available information and has downgraded and continued the ratings in "Issuer Not cooperating" category vide its press release dated February 03, 2025, due to its inability to carry out a review in the absence of the company's requisite information.

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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	January, 2028	79.05	CARE BB (RWD)
Fund-based - LT/ ST-Cash Credit		-	-	-	18.84	CARE BB / CARE A4 (RWD)
Non-fund-based - LT/ ST-Letter of credit		-	-	-	80.00	CARE BB / CARE A4 (RWD)

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 2025-2026	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
1	Non-fund-based - LT/ ST-Letter of credit	LT/ST	80.00	CARE BB / CARE A4 (RWD)	-	1)CARE BB; Stable / CARE A4 (06-Dec-24)	1)CARE BB; Stable / CARE A4 (04-Mar-24)	-
2	Fund-based - LT/ ST-Cash Credit	LT/ST	18.84	CARE BB / CARE A4 (RWD)	-	1)CARE BB; Stable / CARE A4 (06-Dec-24)	1)CARE BB; Stable / CARE A4 (04-Mar-24)	-
3	Fund-based - LT-Term Loan	LT	79.05	CARE BB (RWD)	-	1)CARE BB; Stable (06-Dec-24)	1)CARE BB; Stable (04-Mar-24)	-

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 - LT/ ST-Cash Credit	Simple
3	Non-fund-based - LT/ ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings (CareEdge 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.

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