

Panama Petrochem Limited

September 22, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	64.00	CARE A+; Stable	Reaffirmed
Short-term bank facilities	585.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The re-affirmation of ratings assigned to bank facilities of Panama Petrochem Limited (PPL) continue to derive strengths from its established track record in the petroleum speciality oils business considering four decade of promoters' experience in the industry and ability to manufacture numerous variants which cater to diversified industries. Ratings are further strengthened owing to the steady increase in scale of operations over the years, geographically diversified revenue, above-average profit margins within its industry sectors and healthy capital structure, debt coverage indicators and strong liquidity position. The company reported stable performance with steady increase in scale of operations and healthy cash generation in FY25 (FY refers to April 01 to March 31) despite moderation in profitability.

These rating strengths are partially tempered by vulnerability in profit margins due to sensitive base oil prices and foreign exchange (forex) fluctuations, competitive industry due to low entry barriers and limited product differentiation in the base oil processing industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustenance in total operating income (TOI) above ₹2,500 crore with increase in gross cash accrual (GCA) level above ₹250 crore on a sustained basis.
- Substantially increasing volumes while maintaining profit before interest, lease rentals, depreciation and taxation (PBILDT) margin at ~13% on a sustained basis.
- Maintaining healthy financial risk profile, and liquidity position.

Negative factors

- Deterioration in the PBILDT margin below 8% on a sustained basis.
- Large-sized debt-funded capex or acquisition impacting the capital structure.
- Deteriorating liquidity position with increasing operating cycle to over 100 days.
- Net debt/PBILDT increases over 0.50x on a sustained basis.

Analytical approach: Consolidated

CARE Ratings Limited (CareEdge Ratings) has considered the consolidated business and financial profile of Panama Petrochem Limited and its whole-owned subsidiary Panol Industries, RMC FZE (PIRF) as both entities are involved in same business. PPL has control over the subsidiary's management and operations with strong financial synergies among them. Further details are provided in Annexure-6.

Outlook: Stable

The stable outlook reflects that CareEdge Ratings expects PPL to continue to benefit from its established market position and longstanding relationship with its customers while maintaining its healthy financial risk profile in the medium term.

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

Detailed description of key rating drivers:

Key strengths

Established track record with experienced management in base oil processing industry

PPL is an established player in the petroleum speciality oils processing business with over four decades of existence in the industry. The group manufactures over 80 variants of oil which provide its applications across multiple industries such as printing ink, resin, cosmetics, rubber products, pharmaceuticals, engineering, textiles, machinery manufacturing, chemical and petrochemical industries among others. The diversified industry applications mitigate industry specific risks in case of downturn. The company benefits from experienced promoters who are supported by qualified professionals. The company's promoters are part of Rayani family with Amirali E Rayani being the Chairman and Samir A Rayani being Managing Director. Board consists of eight members including four independent directors.

Reputed and diversified customer base and wide geographical presence

The group's customer base remained reputed marked by leading companies across industries. Major companies catered by the company include cosmetics, pharmaceuticals, automotive lubricants, petroleum jellies, and transformer oils among others. Further, this remained diversified marked by top 10 customers on a consolidated basis accounted for ~45% of the TOI in FY25 (FY24: 39%). Over the past decade, it has consistently met customer requirements by delivering customised end products to their specifications. The lengthy approval process, which can take up to a year for each product grade, serves as a significant barrier to entry for potential competitors, strengthening PPL's enduring relationships with its customers. The group exports to over 75 countries with exports contributing 56% of TOI in FY25 (FY24: 54%) with Middle East, Africa and South America being the key export regions reflecting wide geographical reach.

Consistent increase in revenue supported by capacity additions undertaken

Over the last five years, the company's consolidated revenue has grown at a healthy rate from ₹1448.10 crore in FY21 to ₹2792.89 crore in FY25. In FY25, the revenue increased to ₹2792.89 crore from ₹2357.77 crore, registering 18% y-o-y growth. The growth was due to significant increase in the scale of operations of its subsidiary, PIFR from ₹631.82 crore in FY24 to ₹1017.17 crore in FY25 considering increased sale to existing and new customers by way of continuous capacity expansions undertaken in the past with increase in trading income to ₹158.79 crore in FY25 (PY: Nil).

The production capacities have increased to 2.95 lakh metric tonnes per annum (LMTPA) in FY25 from 2.55 LMTPA in FY23. The capacity utilisation of these have consistently remained optimum in said periods. In Q1FY26, the group achieved TOI of ₹693.22 crore. CareEdge Ratings expects its consolidated revenue to continue to increase in the near-to-medium terms due to of consistent demand from the end user industries supported by planned capacity additions.

Above-average profit margins within its industry sectors despite moderation in FY25

The PPL's profitability on a consolidated basis continues to be above average compared to the industry peers due to its R&D and customer specific customisation capabilities. However, there was gradual decline in PBILDT margin owing to factors such as raw material price volatility, increase in freight charges, disruptions in the global supply chain due to volatile geopolitical conditions, and a rise in employee costs. PBILDT margin stood in the range of 8.33% to 13.88% in FY21 to FY25. In FY25, the PBILDT margin declined to 8.83% compared to 10.82% in FY24 primarily due to increase in the employee cost, clearing and forwarding cost and freight charges paid during the year. Return on capital employed (ROCE) remained healthy at 20.34% in FY25 (FY24: 24.98%). In Q1FY26, the group posted PBILDT and profit after tax (PAT) margins of 7.91% and 6.15%, respectively. CareEdge Ratings expects its profit margins to remain similar in the near-to-medium terms considering above reasons.

Healthy capital structure and coverage indicators

The group's capital structure continues to be strong due to sizeable tangible net worth (TNW) with lower dependence on external debt. The overall gearing stood comfortable at 0.15x as on March 31, 2025 (PY: 0.18x), the total outside liabilities (TOL) / TNW also remained comfortable at 0.26x as on March 31, 2025 (PY:0.43x) owing to lower creditors and other liabilities.

Debt coverage indicators marked by total debt to PBIDLT also stood comfortable at 0.77x in FY25 (FY4:0.78x). Interest coverage stood healthy at 13.58x in FY25 (FY24:14.20x). With no major debt fund capex planned in the near future, the capital structure and debt coverage indicators are expected to remain healthy.

Key weaknesses**Profitability vulnerable to factors such as sensitive base oil prices and forex fluctuations**

PPL's profitability remains susceptible to fluctuations in base oil prices, which constitute 85-90% of its total input costs and are derived from crude oil. However, the company mitigates the risk of volatile raw material prices by passing on significant cost increases to its customers. PPL has provisions of adjusting fluctuations in raw material prices monthly/quarterly. Accordingly, profitability remains exposed to price fluctuation risk.

The group imported 78% of the total purchases in FY25 mainly from Middle East. It also exported 56% to different countries. Thus, it is exposed to foreign exchange fluctuation risk. ~35 to 40% of its forex exposure is naturally hedged, for ~30% of the forex exposure it avails forward contracts and the balance 30% remains unhedged. Accordingly, the group's profit margins remain susceptible to adverse or favourable movement in forex rate, which had been highly volatile in the past. In FY25, the group registered foreign exchange loss of ₹5.22 crore (FY24: foreign exchange gain of ₹1.03 crore).

Competitive industry

Low entry barriers and limited product differentiation led to intense competition in the base oil processing industry. Players mostly focus on volume, leading to competitive pricing. However, comfort is derived from the fact that PPL benefits from long association with its customers and has received technical approvals from its key customers for the supply of products. These technical approvals act as an entry barrier and provide a competitive edge, as obtaining such approvals is time-consuming process.

Liquidity: Strong

PPL's liquidity is strong marked by steady cash accruals over the years, significant existing liquidity, no term debt obligation and minimal utilisation of fund-based working capital limits. In FY25, PPL reported GCA of ₹200.37 crore with free cash and bank balance and quoted equities of ₹180.67 crore and ₹18.84 crore, respectively, as on March 31, 2025. Considering this, the company remained net debt free as on March 31, 2025. The annual repayment obligation is only in the form of finance lease payments which are sufficiently covered by the expected annual cash accruals. PPL majorly funds its working capital requirement by internal accruals, hence, the utilisation of its fund-based limits remained negligible and average utilisation of non-fund-based facilities stood lower at 46% for the last twelve months ended July 2025.

Environment, social, and governance (ESG) risks

Environmental risk: PPL, being in the petrochemical industry, is exposed to the risk of tightening regulations related to environment norms and industrial safety and potential penalties in case of non-compliance. Per disclosures in the annual report of FY25, the company is in compliance with the current applicable environmental rules and regulations. To mitigate the environment risk, PPL has also undertaken steps such as developing different innovative products with international quality standards and techniques to ensure zero environmental impact. PPL implements new ideas for improving efficiencies and minimising the use of input resources.

Social risk: The company's exposure to social risks mainly pertain to safe operations and remaining compliant to all environmental regulations to ensure the safety of employees and the community in the vicinity of its manufacturing units.

Governance risk: PPL is professionally managed, and management has the freedom to run the enterprise within the framework of effective accountability and commit its resources in a manner that meets shareholders' aspirations and societal expectations. The company has policies in place including code of conduct, related party transactions, and insider trading, among others.

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](#)[Consolidation](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals and petrochemicals	Petrochemicals

PPL was incorporated in 1982 by Amirali E Rayani and is engaged in conversion and manufacturing crude oil derivatives to over 80 specialty products across segments such as white oils, automotive lubricants, petroleum jellies, transformer oils, inks, resins, rubber and textile chemicals, pharmaceutical and cosmetic-grade oils, and specialty greases. PPL operates four manufacturing units in India in Ankleshwar (Gujarat), Daman (Union Territory), Taloja (Raigad, Maharashtra) and Dahej (Bharuch, Gujarat) and one overseas in Ras Al Khaimah, UAE. The overseas facility in UAE is managed by its wholly-owned subsidiary, Panol Industries RMC FZE. The subsidiary contributes ~36% of the total revenue and caters majorly to the markets of Middle East and African Continent.

Brief Financials (₹ crore) (Consolidated)	March 31, 2024 (A)	March 31, 2025 (A)	June 30, 2025 (UA)
Total operating income	2357.77	2792.89	693.22
PBILDT	255.11	246.63	54.86
PAT	195.15	187.03	42.62
Overall gearing (times)	0.18	0.15	NA
Interest coverage (times)	14.20	13.58	18.35

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

Brief Financials (₹ crore) (Standalone)	March 31, 2024 (A)	March 31, 2025 (A)	June 30, 2025 (UA)
Total operating income	1726.43	1775.72	424.12
PBILDT	190.46	168.44	39.37
PAT	131.25	116.59	28.81
Overall gearing (times)	0.03	0.00	NA
Interest coverage (times)	11.39	11.63	17.65

A: Audited UA: Unaudited; NA: Not available; 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	64.00	CARE A+; Stable
Non-fund-based - ST-BG/LC		-	-	-	585.00	CARE A1+

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 - ST-BG/LC	ST	585.00	CARE A1+	-	1)CARE A1+ (04-Jul-24)	1)CARE A1+ (05-Jul-23)	1)CARE A1 (29-Jun-22)
2	Fund-based - LT-Cash Credit	LT	64.00	CARE A+; Stable	-	1)CARE A+; Stable (04-Jul-24)	1)CARE A+; Stable (05-Jul-23)	1)CARE A+; Stable (29-Jun-22)

LT: Long term; ST: 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-Cash Credit	Simple
2	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Panol Industries RMC FZE	Full	Panol Industries RMC FZE is the wholly-owned subsidiary of PPL and is involved in the same business and have strong financial synergies among them.

Note on complexity levels of rated instruments: 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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