Vinati Organics Limited

October 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	237.00	CARE AA+; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Vinati Organics Limited (VOL) draw comfort from its market leadership in two key products—2-acrylamido-2-methylpropane sulfonic acid (ATBS) and isobutyl benzene (IBB)—in the global market. CARE Ratings Limited (CareEdge Ratings) believes that VOL's competitive advantage in both segments is likely to be sustained in the medium term, as manufacturing processes are complex and act as significant entry barriers for new players. Ratings also reflect the long track record and extensive experience of the promoters in the specialty organic chemical industry. VOL benefits from an established global market position with a well-diversified business and product portfolio. Ratings are further supported by healthy operating performance, integrated operations, robust cash flows from operations, a favourable capital structure, and strong liquidity.

However, ratings are constrained by exposure to raw material price volatility, foreign currency fluctuations, execution risks associated with ongoing and planned capex, and constraints on market share expansion in core segments.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significantly growing total operating income (TOI) on the back of increased demand from the existing products and effective diversification in product profile while maintaining an operating margin of around 27-30%.

Negative factors

- Significant debt-funded organic or inorganic expansion undertaken by the company that will adversely impact its capital structure marked by an overall gearing higher than 0.3x.
- Weakening of its return on capital employed (ROCE) below 15% having an adverse impact on its debt coverage indicators.

Analytical approach: Consolidated

CareEdge Ratings has adopted a consolidated approach, considering operational linkages between the parent company and its subsidiaries. List of entities consolidated with VOL is mentioned in Annexure-6.

Outlook: Stable

The stable outlook reflects expectation of sustained business and financial risk profiles, supported by healthy cash flow generation and absence of large debt-funded capex or acquisitions in the medium term.

Detailed description of key rating drivers:

Key strengths

Vast experience of promoters in the specialty chemical business

VOL is promoted by Vinod Saraf, a first-generation entrepreneur with over five decades of experience in the chemical industry. The company's day-to-day operations are managed by a team of qualified and experienced professionals. Under his leadership, VOL has consistently expanded its manufacturing capacities and product portfolio, emerging as the world's largest manufacturer and supplier of IBB and ATBS, with a significant share in both products. His daughter, Vinati Saraf Mutreja, also plays an active role in managing the business as the Managing Director & CEO.

Established global market position with a strong and well-diversified business & product profile

In FY24, VOL merged Veeral Additives Private Limited (VAPL) to integrate the antioxidants (AO) value chain, establishing itself as India's largest and among Asia's leading AO manufacturers with a 24,000 metric tonne per annum capacity. In FY25, the AO segment operated at ~40% utilisation, generating ~₹220 crore in revenue. Supported by backward integration of butyl phenols and isobutylene, AOs are positioned as a key growth driver. Apart from its core products—ATBS, IBB, butyl phenols and AOs—

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

VOL is expanding through its wholly-owned subsidiary, Veeral Organics Private Limited (VOPL), into new chemistries such as anisole, 4-MAP, TAA, and PTAP, catering to applications in polymerisation inhibitors, resins, fragrances, and specialty chemicals. The company maintains long-term contracts for IBB and ATBS with global clients such as Chemtall, BASF, Mitsubishi, SNF and Dow, and derives ~56% of revenue from exports across over 40 countries, including the US, Europe, Japan and China.

As ATBS is exempt from recent US tariffs, and the residual product mix is either non-substitutable or has access to alternate markets, the impact of US tariff on VOL's business is expected to be very negligible.

Healthy operating performance and integrated operations

In FY25, VOL's TOI grew 18.44%, driven by strong performance across its key segments. Profit before interest, lease rentals, depreciation and taxation (PBILDT) margin improved to 26.53% (PY: 25.36%) considering better cost structures and higher productivity. In Q1FY26, revenue increased by 3.29% to ₹549.36 crore, with PBILDT margin at 30.41%, supported by lower raw material costs. VOL's robust backward integration, including in-house Isobutylene (IB) production and the recent addition of butyl phenols, ensures security of critical raw materials. VAPL's merger further enhances synergies in AO production, improving cost efficiency, operational resilience, and supporting downstream specialty chemical expansion, while reducing dependence on external suppliers.

Strong financial risk profile

To scale up operations and diversify its revenue base, the company has consistently expanded capacities of its existing product lines, while introducing new products. Healthy cash flows from operations have enabled VOL to fund its capex entirely through internal accruals, maintaining a strong capital structure. The company's total borrowings increased to ₹76.14 crore in FY25 from ₹8.73 crore in FY24, primarily to meet short-term working capital requirements. In FY25, VOL paid a dividend of ₹72.57 crore, representing 17.91% of its profit after tax. Despite the marginal increase in short-term borrowings, the company's overall gearing remained very comfortable at 0.03x in FY25.

Liquidity: Strong

The company maintains a strong liquidity position considering its healthy gross cash accruals. Cash and bank balances, and liquid investments, stood at ₹12.59 crore as of end-FY25. Fund-based working capital limit utilisation stood at a mere 2.03%, while non-fund-based utilisation was 51.76% for 12 months ended July 2025, providing additional liquidity headroom. In FY25, the company generated gross cash accruals of ₹512.24 crore. The company does not have long-term debt, and its capex plans are expected to be funded entirely through internal accruals and existing liquidity.

Key weaknesses

Exposure to raw material volatility and foreign currency fluctuations

Crude derivatives such as toluene, propylene, acrylonitrile, and methyl tert-butyl ether (MTBE) are key raw materials required for manufacturing IBB and ATBS. The company procures toluene from Reliance Industries Limited (RIL) and local traders, while propylene is sourced from domestic refineries such as Bharat Petroleum Corporation Limited (BPCL). Pricing of these inputs is linked to the base prices of toluene and propylene, as published by Platts, a leading global provider of energy and commodity information. VOL follows a cost-plus mark-up pricing model, enabling it to pass on fluctuations in raw material costs to customers, despite a quarterly lag. Being a net exporter, the company is inherently exposed to foreign exchange fluctuation risks. While a natural hedge exists to the extent of imports, the company does not fully hedge its foreign currency exposure, leaving it vulnerable to adverse currency movements. As of March 31, 2025, VOL reported net unhedged USD exposure of ₹269.99 crore (PY: ₹216.82 crore) and net unhedged Euro exposure of ₹13.86 crore (PY: ₹9.76 crore).

Execution risk coupled with constraints on market share expansion in core segments

VOL holds a dominant ~65% market share in ATBS and IBB, which limits organic growth in these mature segments due to market saturation and pricing pressures. To sustain growth, the company is diversifying into new chemistries under VOPL, targeting polymerisation inhibitors, resins, flavours, fragrances, and personal care. The ongoing capacity expansion and product diversification, exposes VOL to execution risks, including potential delays, cost overruns, or slower-than-expected ramp-up in utilisation. CareEdge Ratings believes that stabilisation and timely ramp-up of these newly added capacities will be critical for VOL to realise its anticipated growth trajectory and margin expansion.

Environment, social, and governance (ESG) risks

Particulars	Risk Factors
Environmental	• VOL has commissioned 33 MW of solar power plants, which enables efficient resource utilisation and supporting its transition to renewable energy, with 58% of its electricity requirements met from renewable sources. • The company has installed Zero Liquid Discharge (ZLD) systems and Effluent Treatment Plants (ETPs), ensuring responsible wastewater management. Hazardous waste is processed through authorized Treatment, Storage, and Disposal Facilities, while fly ash is co-processed for brick manufacturing.
Social	• In FY25, VOL spent ₹8.92 crore on CSR initiatives, with a focus on education and livelihood development, healthcare, sanitation, water, hygiene, and environmental sustainability.
Governance	• Notably, 50% of its board comprises independent directors (four of eight directors) including four women directors.

Applicable criteria

Consolidation
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 & petrochemicals	Specialty chemicals

Incorporated in 1989, VOL is one of India's leading manufacturers and exporters of specialty organic intermediates and monomers. The company is the world's largest producer of IBB and ATBS, holding a 65% global market share in these products. VOL also operates India's largest manufacturing facilities for AOs and is the country's only producer of Tertiary Butyl Acrylamide (TBA), TB Amine, and Butyl Phenols. The company's specialty chemical portfolio continues to serve a diversified set of industries including pharmaceuticals, personal care, polymers, construction, and agrochemicals. With four manufacturing facilities at Mahad and Lote, Maharashtra, VOL offers a portfolio of over 30 products serving multiple end-use industries.

Brief Consolidated Financials	FY24 (A)	FY25 (A)	Q1FY26 (UA)
Total operating income	1914.40	2267.40	549.36
PBILDT	485.49	601.54	167.08
PAT	322.97	405.25	104.19
Overall gearing (times)	0.00	0.03	NA
Interest coverage (times)	97.99	314.94	451.57

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

List of entities consolidated: Annexure-6

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/ ST-CC/PC/Bill Discounting		-	-	-	237.00	CARE AA+; Stable / 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	-	-	-	1)Withdrawn (09-Oct-24)	1)CARE A1+ (09-Oct-23)	1)CARE A1+ (06-Oct-22)
2	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	237.00	CARE AA+; Stable / CARE A1+	-	1)CARE AA+; Stable / CARE A1+ (09-Oct-24)	1)CARE AA+; Stable / CARE A1+ (09-Oct-23)	1)CARE AA; Positive / CARE A1+ (06-Oct-22)
3	Fund-based - LT-Cash Credit	LT	-	-	-	1)Withdrawn (09-Oct-24)	1)CARE AA+; Stable (09-Oct-23)	1)CARE AA; Positive (06-Oct-22)

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/ ST-CC/PC/Bill Discounting	Simple

Annexure-5: Lender details

To 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	Veeral Organics Private Limited	Full	Wholly owned subsidiary
2	Vinati Organics USA Inc.	Full	Wholly owned subsidiary

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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