Kanoria Chemicals & Industries Limited

January 09, 2026

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long term bank facilities	117.81 (Reduced from 134.74)	CARE BB+; Stable	Reaffirmed
Short term bank facilities	65.00	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Kanoria Chemicals and Industries Limited (KCIL) is primarily constrained due to high exposure in the group entities with weaker financial risk profile. The two major group companies, including one to which KCIL has provided corporate guarantee (CG) for the debt availed, continue to incur losses, resulting in KCIL's losses on a consolidated basis in FY25 and H1FY26. However, the exposure is expected to reduce with dilution in shareholding of KCIL as a result of issuance of fresh equity shares to a strategic investor in the group company. Further, ratings remain constrained by moderate scale of operations and low profitability margins, project risk related to capex plans and vulnerability to volatility in input prices.

These weaknesses are partially offset by promoters' experience and company's long track record of operations in the chemicals business, reputed customer base despite moderate client concentration risk, satisfactory capital structure with improvement in debt coverage indicators and commencement of new formaldehyde and hexamine plant at Ankleshwar, Gujarat. Timely completion of the proposed Triacetin production unit and ramping up of production from the recently commissioned units, and stability of realisations and margins for products will remain a key rating monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial reduction in group exposure below 30% net worth.
- Reduction in debt levels leading to improvement in the coverage metrices with total debt to gross cash accruals (TD/GCA) below 4x and interest coverage above 3x on a sustained basis.
- Return on capital employed (ROCE) moving beyond 20% on a sustained basis.

Negative factors

- Decline in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin (less than 5%) on a sustained basis.
- Deterioration in adjusted overall gearing (over 1x) and TD/GCA (over 10x) on a sustained basis.
- Material increase in the percentage of pledge of the promoters' share in KCIL from current levels.

Analytical approach: Standalone

Exposure in the group companies has also been factored in the rating.

Outlook: Stable

Stable outlook reflects the company's ability to benefit from the experience of promoters in similar business and maintain growth in scale of operations and profitability margins, aided by capacity addition and improving sales realisations in the medium-to-long-term period.

Detailed description of key rating drivers:

Key weaknesses

High exposure in group companies

The company has fund-based exposure in subsidiary/group companies through investment and loans and advances amounting to ₹321 crore as on March 31, 2025 (₹330 crore as on March 31, 2024), accounting for 53% (52% in FY24) of its standalone net worth as on March 31, 2025. KCIL has extended corporate guarantee (~₹171 crore outstanding [o/s] as on March 31, 2025; loan o/s against CG ₹116 crore) for loans availed by subsidiary company (KAT). Considering loan o/s against CG, exposure to

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

subsidiaries would amount to 73% of its standalone net worth as on March 31, 2025 (70% as of March 2024). Adjusted gearing post considering the group exposure and CG will stand at 1.05x as on March 31, 2025 (0.76x).

In July 2025, KCIL has diluted its shareholding in APAG Holding AG, an erstwhile subsidiary from 55% shareholding to 14.30% as a result of issuance of fresh equity shares by APAG Holding AG to a strategic investor. KCIL has received its loans and advances of ~₹45 crore from APAG Holding AG. Consequently, APAG ceased to be a subsidiary of KCIL effective July 31, 2025.

Moderate scale of operations and low profitability margins
The company recorded a total operating income (TOI) of ₹682.66 crore in FY25, compared to ₹577.65 crore in FY24, reflecting a year-on-year growth of ~18%, driven by higher sales volumes and improved realisations of Pentaerythritol, Penta, and Hexamine. PBILDT stood at ₹41.79 crore in FY25 (previous year: ₹7.24 crore), with the PBILDT margin rising sharply by 487 basis points to 6.12% in FY25, up from 1.25% in FY24 (3.51% in FY23). This improvement was primarily due to better sales realisations of Pentaerythritol following the imposition of anti-dumping duty in May 2024.

However, considering higher interest expense and impairment in the value of investments in equity shares of Kanoria Africa Textile PLC (subsidiary company) and APAG Holding AG, (an erstwhile subsidiary) by ₹20.25 crore and ₹24.74 crore respectively, the company incurred losses at PAT level in FY25 of ₹39.88 crore. However, the company earned a GCA of ₹34.05 crore in FY25 (PY: ₹14.77 crore in FY24).

CareEdge Ratings anticipates improvement in profitability margins in FY26 considering softening of raw material prices and higher demand from rural segment.

Project risk
The company is establishing a Triacetin production unit at Ankleshwar, which includes a 10 KL reactor and several process improvement initiatives, and is expected to be completed by March 2026. The total capital outlay for this project is estimated at ₹50 crore, proposed to be funded primarily through internal accruals.

As capex is currently underway, the company remains exposed to risks associated with project execution and subsequent stabilisation.

Volatile raw material prices
Raw material prices, especially for methanol, have been volatile in the last few years. This is mainly due to volatility in the crude oil prices and in the global demand and supply metrics for methanol. This results in KCIL's profitability susceptible to the volatile methanol prices.

Key strengths
Experienced promoters and the company's long track record of operations in the chemical segment
KCIL is part of the SS Kanoria Group with long presence in chemicals, petrochemicals, textiles, and jute industries. KCIL has an operational track record of over five decades in the chemical business. R V Kanoria (son of late S S Kanoria), CMD, manages the company's day-to-day affairs and has over three decades' experience in the business.

Reputed customer base despite moderate client concentration risk
KCIL's customer base includes companies such as Ankur Rasayan, Pioneer Chemical Industries Private Limited, Pioneer Chemicals, Star Industries, Asian Paints Limited and Berger Paints India Limited among others. The company has moderate client concentration risk as the customer base is concentrated with top 10 customers contributing ~37% TOI in FY25 (PY: 47%). The company's long-standing relationships with its customers, resulting in repeat business over the years, help to mitigate the risk to some extent.

Ramp up of operations in new formaldehyde and hexamine plant at Ankleshwar
The company has completed the expansion programme for additional capacity of 345 tonnes per day (TPD) of Formaldehyde and 18 TPD of Hexamine at Ankleshwar with a total project cost of ₹90 crore funded through term loan amounting to ₹64 crore and balance through internal accruals/unsecured loan. The plant was commissioned on September 06, 2024, and is currently running at 40% capacity utilisation. CareEdge Ratings anticipates gradual scaling of the operation in the near term.

Satisfactory Capital Structure with improvement in debt coverage indicators

The company's capital structure remained satisfactory, reflected by an overall gearing of 0.33x as on March 31, 2025 (previous year: 0.22x). The moderation is, primarily due to planned debt-funded capital expenditure and higher working capital borrowings. Considering loans and advances extended to subsidiaries/group entities, the adjusted overall gearing ratio stood at 1.05x as on March 31, 2025.

Debt coverage indicators improved significantly, with PBILDT interest coverage rising to 2.60x in FY25 (against 0.63x in FY24). The company's TD/GCA ratio stood at a moderate 5.79x on March 31, 2025, compared to 9.67x in FY24. This improvement was primarily driven by better profitability compared to previous fiscal year.

Going ahead, the debt coverage indicators are expected to remain at similar levels.

Liquidity: Adequate

Liquidity is adequate marked by cash accruals of ₹34.75 crore against scheduled debt repayment obligations of ₹17.83 crore in FY25 and moderate working capital utilisation of 76% for 12 months ending November 30, 2025. The company had cash and bank balance of ₹1.71 crore and investments of ₹11.90 crore in equity and mutual funds as on March 31, 2025. The company is expected to generate sufficient cash accruals in FY26 against debt repayment obligations of ₹20.65 crore. Going forward, considering steady GCA, it is projected that the company's liquidity position will remain adequate against debt repayment obligations.

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

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
Factoring linkages Parent Sub JV Group

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals and petrochemicals	Commodity chemicals

KCIL, promoted by late S S Kanoria about five decades ago is the flagship company of S. S. Kanoria faction of Kolkata-based Kanoria family. The company has three manufacturing facilities, one in Ankleshwar, Gujarat and other two at Visakhapatnam and Naidupeta in Andhra Pradesh for manufacturing alco chemicals, primarily Penta, formaldehyde and hexamine.

KCIL also has a subsidiary, Kanoria Africa Textile PLC (KAT), Ethiopia which is engaged in denim manufacturing and commenced commercial operation in April 2016

KCIL's erstwhile subsidiary, APAG Holding AG, Switzerland is engaged in designing, developing and manufacturing electronic control units (ECUs) and LED-based concept or design lighting modules primarily for the automotive industry.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)	H1FY26 (UA)
Total operating income	577.65	682.66	377.41
PBILDT	7.24	41.79	24.80
PAT	2.46	-38.88	1.83
Overall gearing (times)	0.22	0.33	0.35
Interest coverage (times)	0.63	2.60	2.46

A: Audited UA: Unaudited; 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		-	-	-	31.00	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	December, 2031	86.81	CARE BB+; Stable
Non-fund-based - ST-BG/LC		-	-	-	65.00	CARE A4+

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	65.00	CARE A4+	-	1)CARE A4+ (31-Mar-25) 2)CARE A3+ (RWN) (03-Oct-24) 3)CARE A3+ (02-Apr-24)	1)CARE A2 (06-Jun-23)	1)CARE A2+ (06-Jan-23)
2	Fund-based - LT-Cash Credit	LT	31.00	CARE BB+; Stable	-	1)CARE BB+; Stable (31-Mar-25) 2)CARE BBB (RWN) (03-Oct-24) 3)CARE BBB; Stable (02-Apr-24)	1)CARE BBB+; Stable (06-Jun-23)	1)CARE A-; Stable (06-Jan-23)
3	Fund-based - LT-Term Loan	LT	86.81	CARE BB+; Stable	-	1)CARE BB+; Stable (31-Mar-25) 2)CARE BBB (RWN) (03-Oct-24) 3)CARE BBB; Stable (02-Apr-24)	1)CARE BBB+; Stable (06-Jun-23)	1)CARE A-; Stable (06-Jan-23)

LT: Long term, ST: Short term

Annexure-3: Detailed explanation of covenants of rated instrument/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	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure 5: Lender details

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

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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