Kanoria Chemicals & Industries Limited

August 19, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term bank facilities	RBI	105.87 (Reduced from 117.81)	CARE BB+; Positive	Reaffirmed; Outlook revised from Stable
Short-term bank facilities	RBI	65.00	CARE A4+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Kanoria Chemicals & Industries Limited (KCIL) continue to remain constrained by high exposure in its subsidiary, Kanoria Africa Textile PLC, Ethiopia (KAT), with weaker financial risk profile despite improvement in FY26. Ratings also take cognisance of corporate guarantee provided by KCIL for the term debt availed by KAT with significant debt repayment obligations in next few years. Ratings are constrained by project completion and stabilisation risk for ongoing capex plans and vulnerability to volatility in input prices.

However, these ratings weaknesses are partially offset by consistent increase in scale of operations with improving profitability margins and improved capital structure and debt coverage indicators in FY26 and Q1FY27. The increase in scale of operations is primarily driven by incremental sales from methanol trading, higher sales volumes of Formaldehyde and P F Resins and improved realisations of Formaldehyde and Pentaerythritol (Penta) post imposition of anti-dumping duty in May 2024. Ratings also take support from infusion of ₹49.50 crore from promoters through issuance of preference shares in Q1FY27 to fund the ongoing capex for Triacetin and Penta derivatives. Ratings also derive strength from experienced promoters and the company's long track record of operations in the chemicals segment and reputed customer base despite moderate client concentration risk. Timely completion and ramp up of the proposed Triacetin production unit 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 adjusted total debt (including guaranteed debt) to gross cash accruals (TD/GCA) below 4x and interest coverage above 3x 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 adjusted 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: Positive

Revision in the outlook from "Stable" to "Positive" factors in the company's improved business profile, driven by a higher scale of operations supported by its foray into methanol trading and enhanced profitability margins, aided by healthy capacity utilisation levels and improving sales realisations, which are expected to sustain over the medium-to-long term. The outlook shall be revised to 'Stable' in case the company is unable to sustain its envisaged revenues, profitability or there is moderation in debt protection metrices from envisaged levels.

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority
[2]Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.

Detailed description of key rating drivers

Key strengths

Consistent increase in scale of operations with improving profitability margins

The company recorded a total operating income (TOI) of ₹891.01 crore in FY26, compared to ₹682.66 crore in FY25, reflecting a year-on-year growth of ~31%, driven by incremental sales from methanol trading (₹104 crore in FY26 against ₹20.82 crore in FY25), higher sales volumes of Formaldehyde (y-o-y growth of ~25%) and P F Resins (y-o-y growth of ~38%) and improved realisations of Penta and Formaldehyde. PBILDT stood at ₹70.35 crore in FY26 (previous year: ₹41.79 crore), with the PBILDT margin rising sharply by 178 basis points to 7.90% in FY26, up from 6.12% in FY25 and 1.25% in FY24. The company's margins witnessed a decline in FY23 and FY24, primarily due to a sharp reduction in the average selling price of pentaerythritol (Penta), driven by substantial dumping from China, Saudi Arabia, Taiwan, and certain European countries. However, following the imposition of anti-dumping duties in May 2024, Penta realisations began to improve significantly, reflected in KCIL's average Penta sales realisation, increasing from ₹130,613 per MT in FY24 to ₹169,617 per MT in FY26. Consequently, the company's PBILDT margins recovered closer to historical levels. Realisations from hexamine remained under pressure due to prevailing industry demand-supply dynamics, which also impacted overall profitability.

In Q1FY27, KCIL has achieved TOI of ₹423 crore and PBILDT of ₹36.28 crore against TOI of ₹186.54 crore and PBILDT of ₹11.34 crore in Q1FY26.

Sustained realisations and margin stability across products will continue to be a key rating monitorable going forward.

Improved capital structure and debt coverage indicators

The company’s capital structure improved, reflected by an overall gearing of 0.29x as on March 31, 2026 (previous year: 0.33x). Considering loans and advances extended to subsidiaries/group entities, the adjusted overall gearing ratio and adjusted TD/GCA stood at 0.91x and 5.41x, respectively, as on March 31, 2026. Debt coverage indicators improved significantly, with PBILDT interest coverage rising to 3.62x in FY26 (against 2.60x in FY25). The company’s TD/GCA ratio also improved to 3.40x on March 31, 2026, compared to 5.79x in FY25. This improvement was primarily driven by better profitability compared to previous fiscal year. Going ahead, the det coverage indicators are expected to improve with improvement in profitability and cash accruals.

Experienced promoters and the company’s long track record of operations in the chemical segment

KCIL is a 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. The promoters have infused ₹49.50 crore in Q1FY27 in form of preference shares to fund the ongoing capex plans of the company.

Reputed customer base despite moderate client concentration risk

KCIL’s customer base includes companies, such as Ankur Rasayan, Pioneer Chemical Industries Private Limited, Hindustan Composites Limited, and Grasim Industries Limited among others. The company has moderate client concentration risk as the customer base is concentrated with top 10 customers contributing ~41% TOI in FY26 (PY: 37%). The company's long-standing relationships with its customers, resulting in repeat business over the years, mitigates the risk to some extent.

Key weaknesses

High exposure in subsidiary company

The company has fund-based exposure in its subsidiary/associate company through investment and loans and advances amounting to ₹318.99 crore as on March 31, 2026, reducing from ₹324.57 crore as on March 31, 2025, accounting for 50% (54% in FY25) of its standalone net worth as on March 31, 2026. KCIL has also extended corporate guarantee (~₹189 crore outstanding [o/s] as on March 31, 2025; loan o/s against CG ₹108 crore) for loans availed by subsidiary company (KAT). Considering loan o/s against CG, exposure to subsidiaries would amount to 67% of its standalone net worth as on March 31, 2026 (73% as of March 2025).

In July 2025, KCIL has diluted its shareholding in APAG Holding AG, an erstwhile subsidiary from 55% shareholding to 14.29% because 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.

Project completion and stabilisation risk for ongoing capex plans

The company is setting up a Triacetin manufacturing facility at Ankleshwar, and the installation of a 10 KL reactor, development of Penta derivatives, and implementation of various process enhancement initiatives. The aggregate capital outlay for these projects is estimated at ₹45-50 crore. Funding for the capex is being met through proceeds of ₹49.50 crore raised through preferential share issuance to promoters in April 2026. The project is expected to be commissioned in Q3FY27. As of July 31, 2026, the company had incurred capital expenditure of ~₹10-15 crore, while the installation of the 10 KL reactor had been completed.

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.

Liquidity: Adequate
Liquidity is adequate marked by cash accruals of ₹53.71 crore against scheduled debt repayment obligations of ₹33.15 crore in FY26 and moderate month end working capital utilisation of 68% for 12 months ending May 2026. The company received ₹45 crore against dilution of its shareholding in APAG and unsecured loans of ~₹46 crore from promoters in FY26 which were utilised towards capex of ₹50 crore and meeting repayment obligations of ~₹20 crore of guaranteed debt in its subsidiary. The company had cash and bank balance of ₹6.12 crore and investments of ₹14.98 crore in equity and mutual funds as on March 31, 2026. The company is expected to generate sufficient cash accruals in FY27 against debt repayment (including guaranteed debt) obligations of ₹52.88 crore.

Going forward, considering steady GCA, it is projected that the company's liquidity position will remain adequate against debt repayment obligations.

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 & petrochemicals	Commodity chemicals

Promoted by late S S Kanoria about five decades ago, KCIL 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, 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, 2025 (A)	March 31, 2026 (A)	Q1FY27 (UA)
Total operating income	682.66	891.01	429.99
PBILDT*	41.79	70.35	36.48
Profit after tax (PAT)	-38.88	34.41	26.37
Overall gearing (x)	0.33	0.29	NA
Interest coverage (x)	2.60	3.62	7.75

A: Audited; UA: Unaudited; Note: these are latest available financial results
*PBILDT: Profit before interest, lease rentals, depreciation and tax

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

For complexity level of instruments rated refer to Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:

https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	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	RBI	Simple	-		-	-	31.00	CARE BB+; Positive
Fund-based - LT-Term Loan	RBI	Simple	-		-	31-12-2031	74.87	CARE BB+; Positive
Non-fund-based - ST-BG/LC	RBI	Simple	-		-	-	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 2026-2027	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
1	Non-fund-based - ST-BG/LC	ST	65.00	CARE A4+	-	1)CARE A4+ (09-Jan-26)	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)
2	Fund-based - LT-Cash Credit	LT	31.00	CARE BB+; Positive	-	1)CARE BB+; Stable (09-Jan-26)	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)
3	Fund-based - LT-Term Loan	LT	74.87	CARE BB+; Positive	-	1)CARE BB+; Stable (09-Jan-26)	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)

LT: Long term; ST: Short term

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

Annexure-4: 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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