

May 27, 2025

Apcotex Industries Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based limits	78.00	118.00	[ICRA]AA- (Stable); reaffirmed and assigned for enhanced amount
Short-term non-fund based limits	54.00	54.00	[ICRA]A1+; reaffirmed
Long-term/Short-term –Fund-based/Non-fund based Limits	60.00	170.00	[ICRA]AA-(Stable)/[ICRA]A1+; reaffirmed and assigned for enhanced amount
Long-term -Term loan	125.00	85.94	[ICRA]AA-(Stable); reaffirmed
Long-term interchangeable limits^	(27.00)	(125.00)	[ICRA]AA-(Stable); reaffirmed and assigned for enhanced amount
Short-term interchangeable**	(81.00)	(196.00)	[ICRA]A1+; reaffirmed and assigned for enhanced amount
Total	317.00	427.94	

*Instrument details are provided in Annexure I

^Interchangeable with long-term fund-based limits; **Interchangeable with long-term/short-term fund-based/non-fund-based limits

Rationale

ICRA has reaffirmed the ratings for the bank lines of Apcotex Industries Limited (AIL), reflecting the company's strong market position and a healthy growth in its volumes in FY2025 on the back of a favourable product and customer mix and increase in exports. ICRA expects the trend to continue, going forward. The ratings continue to draw comfort from AIL's healthy capital structure owing to a strong tangible net worth. The company's liquidity profile has remained comfortable due to its comfortable operational cash flow and the availability of cash and investments of around Rs. 132 crore as on March 31, 2025.

The ratings draw comfort from AIL's established market position in the synthetic rubber and synthetic latex segments in India and the experience of its promoters of more than three decades in the industry. The ratings factor in the company's diversified customer base across various end-user industries.

The operating margins have moderated over the last two years due to the correction in raw material prices and mismatch in supply-demand dynamics, which had weakened the debt metrics to some extent. However, the debt metrics are expected to improve steadily, going forward. The profitability is expected to improve with increased capacity utilisation and stabilisation of raw material prices. ICRA notes that the company has been regularly incurring capex in the last few years to debottleneck, improve the efficiency and increase the capacity. It has also completed detailed engineering to enhance its capacity for nitrile butadiene rubber (NBR); however, any further capex decision will be taken only after the current operations stabilise.

Further, the ratings factor in the vulnerability of its profitability to high volatility in raw material prices (primarily styrene, butadiene, and acrylonitrile) and adverse foreign exchange (forex) movements due to significant raw material imports, along with competition from other suppliers. However, the exchange risk is partly mitigated by the natural hedge from exports.

The Stable outlook on the long-term rating reflects ICRA's opinion that AIL will continue to benefit from its established position in the synthetic latex and synthetic rubber industry and is likely to demonstrate a steady growth in volumes, which along with a consistent improvement in the margins is likely to translate into a comfortable credit profile.

Key rating drivers and their description

Credit strengths

Strong promoter background and market position in synthetic rubber and synthetic latex segments in India – The company originated in 1980 as a division of Asian Paints (India) Limited. In 1991, it was restructured as an independent entity under Mr. Atul Choksey, the former Managing Director of Asian Paints. With over 40 years of expertise in the paints and chemicals sector, Mr. Choksey played a pivotal role in shaping the company's direction. Today, the entity is led by Mr. Abhiraj Choksey, the current Vice Chairman & Managing Director, along with a team of seasoned professionals who bring in deep knowledge and experience in the chemicals industry. The company holds a prominent position in India's synthetic rubber and synthetic latex markets.

Diversified clientele across various end-user industries – AIL's clientele has remained diversified with the top 10 customers contributing 20-30% to the revenues in the last two years. The products find application in various industries such as paper and paperboards, gloves, textiles, carpet, construction, tyre cord, footwear, automobile and rice roll. In addition, the company has developed strong relationships with reputed players across these industries. All major customers of AIL place repeat orders and have been with the company for the last few years.

Diversified product profile with expansion in latex division – Synthetic latex finds application across a diverse range of industries, including paper and paperboard, carpets, construction, tyre cord and specialty sectors. The management has taken conscious efforts to diversify the sales. Historically, sales have been heavily concentrated on the paper and footwear segments, but this dependence has significantly declined over time. The volumes of the nitrile latex segment grew 100%. The company also produces XNB latex, which is primarily used in glove manufacturing. Notably, AIL is the sole domestic producer of nitrile rubber and high styrene rubber in India. At present, 70-75% of the total domestic requirement of NBR is met through imports and the remaining 25-30% by AIL.

Comfortable financial profile; adequate liquidity supported by availability of cash and equivalents with unutilised credit lines – The company's reliance on external borrowings had been low in the past due to its strong net worth on account of its healthy accruals and moderate working capital intensity. However, over the last two years, the company undertook debt-funded capex to expand the capacity at Taloja and Valia, which was funded through a debt of Rs. 125 crore. However, ICRA does not foresee a significant impact on the capital structure due to its strong tangible net worth.

While the company's coverage metrics moderated in FY2024 and FY2025 due to increased leverage and margin pressures, the total debt/OPBITDA ratio is projected to remain below 1.5x, and the interest coverage is expected to stay above 8x. Further, ICRA notes the liquidity profile remains comfortable with significant liquid investments in the form of cash, equity and mutual funds, as well as cushion in fund-based limits.

Credit challenges

Vulnerability of profitability to volatility in raw material prices - Raw material costs constitute approximately 70% of AIL's revenue, exposing its profitability to price fluctuation risks. The prices of key raw materials - styrene, butadiene and acrylonitrile – have been very volatile in the past. Further, given the nature of the company's business, it benefits when raw material prices rise and vice-versa, as has been the case earlier. Further, the company is exposed to forex fluctuation risk owing to its significant exports and imports, though the risk is mitigated by a natural hedge and appropriate forward cover contracts.

Intense competition from domestic players and imports - Apcotex Industries operates in a highly competitive environment, particularly in the nitrile latex and NBR segments. Despite being a relatively smaller player globally, the company holds a strong regional position in South and Southeast Asia. It faces pricing pressures due to excess capacity in the market and aggressive competition from global players, especially from Korea, Russia, and China. However, Apcotex benefits from logistical advantages and regional proximity, which make it competitive in freight-sensitive products like latex. The recent imposition of US tariffs on Chinese nitrile gloves has indirectly benefited Apcotex by boosting demand from Southeast Asian glove

manufacturers. The company is also pursuing anti-dumping measures to counter unfair pricing from foreign competitors and is gradually improving margins through increased capacity utilisation and customer diversification.

Liquidity position: Adequate

The liquidity position is supported by AIL's comfortable operational cash flows and the availability of cash and investments of around Rs. 132 crore as on March 31, 2025. ICRA also notes that the utilisation of the company's fund-based limits has remained low with an average utilisation of ~60% in the last 12 months, providing buffer to its liquidity. The repayment obligation Rs. 31.25 crore per annum over the next 3 years is likely to be comfortably met from accruals. While the company has undertaken a sizeable debt-funded capex in the past and is considering the debt route for future capex as well, ICRA expects the company to maintain adequate cash and investments to meet any exigencies.

Rating sensitivities

Positive factors – ICRA could upgrade AIL's ratings if the company demonstrates a healthy and consistent growth in its turnover and profitability, resulting in robust cash flow generation.

Negative factors – The ratings can be revised downwards in case of a material decline in the operating income and profitability, pushing up the debt/OPBDITA above 1.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

AIL, incorporated in 1986, is engaged in the manufacturing synthetic latex (XSB latex, VP latex, styrene acrylics and nitrile latex) and synthetic rubber (nitrile rubber, high styrene rubber, nitrile polyblends and nitrile powder). Synthetic rubber finds application in footwear, automobile and the rice roll industries, while synthetic latex finds application in paper and paperboard, textiles, carpet, construction and tyre cord industries.

The company has two manufacturing facilities at Taloja in Maharashtra and Valia in Gujarat. The Taloja facility has a manufacturing capacity of 1,00,000 MTPA of synthetic latex and 7,000 MTPA of high styrene rubber. The Valia facility has a manufacturing capacity of 21,000 MTPA of nitrile rubber and its allied products, along with an additional 50,000 MTPA of Nitrile Latex for gloves which is installed post capex.

Key financial indicators (Audited)

Standalone	FY2024	FY2025
Operating income	1124.6	1392.4
PAT	53.9	54.1
OPBDIT/OI	10.1%	9.0%
PAT/OI	4.8%	3.9%
Total outside liabilities/Tangible net worth (times)	0.8	0.8
Total debt/OPBDIT (times)	1.7	1.5
Interest coverage (times)	7.3	7.2

Amounts in Rs. crore; Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	May 27, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based limits	Long term	118.00	[ICRA]AA- (Stable)	Jun 14, 2024	[ICRA]AA- (Stable)	May 12, 2023	[ICRA]AA- (Stable)	-	-
Non-fund based limits	Short term	54.00	[ICRA]A1+	Jun 14, 2024	[ICRA]A1+	May 12, 2023	[ICRA]A1+	-	-
Fund-based/Non-fund based limits	Long term/Short term	170.00	[ICRA]AA- (Stable)/[ICRA]A1+	Jun 14, 2024	[ICRA]AA- (Stable)/[ICRA]A1+	May 12, 2023	[ICRA]AA- (Stable)/[ICRA]A1+	-	-
Term loan	Long term	85.94	[ICRA]AA- (Stable)	Jun 14, 2024	[ICRA]AA- (Stable)	May 12, 2023	[ICRA]AA- (Stable)	-	-
Interchangeable	Long term	(120.0)^	[ICRA]AA- (Stable)	Jun 14, 2024	[ICRA]AA- (Stable)	May 12, 2023	[ICRA]AA- (Stable)	-	-
Interchangeable	Short term	(196.00)**	[ICRA]A1+	Jun 14, 2024	[ICRA]A1+	May 12, 2023	[ICRA]A1+	-	-

^Interchangeable with long-term fund-based limits; **Interchangeable with long-term/short-term fund-based/non-fund-based limits

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based limits	Simple
Short-term non-fund-based limits	Very Simple
Long-term/Short-term –Fund-based/Non-fund based limits	Simple
Term loan	Simple
Long-term interchangeable	Simple
Short-term interchangeable	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](https://www.icra.in)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long-term fund-based limits	NA	NA	NA	118.00	[ICRA]AA- (Stable)
NA	Short-term non-fund-based limits	NA	NA	NA	54.00	[ICRA]A1+
NA	Long-term/Short-term – Fund-based/Non-fund-based limits	NA	NA	NA	170.00	[ICRA]AA- (Stable)/ [ICRA]A1+
NA	Term loan	Oct-2021	7.70%	FY2027	85.94	[ICRA]AA- (Stable)
NA	Long-term interchangeable	NA	NA	NA	(120.00)	[ICRA]AA- (Stable)
NA	Short-term interchangeable	NA	NA	NA	(196.00)	[ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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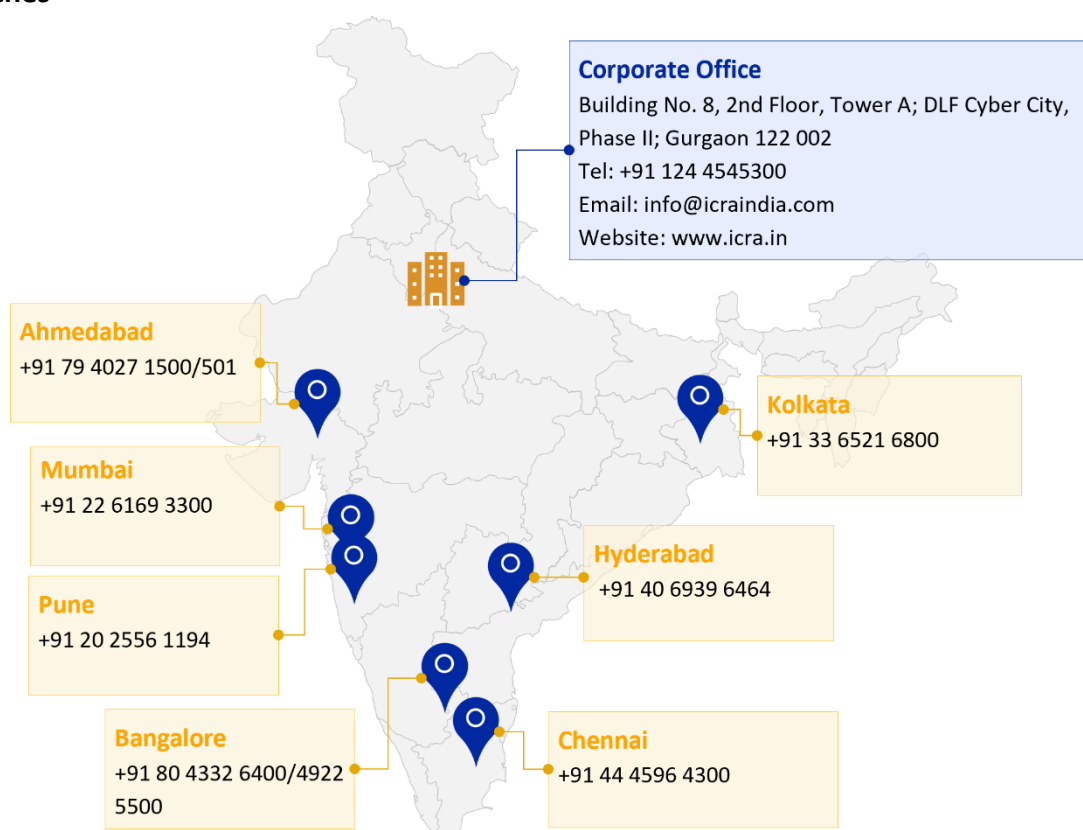
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