September 25, 2024

Amines and Plasticizers Limited: Ratings upgraded to [ICRA]A(Stable)/[ICRA]A1

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	4.25	0.00	-
Long-term – Fund-based – Working capital facilities	100.00	100.00	[ICRA]A (Stable); upgraded from [ICRA]A- (Stable)
Long term – Interchangeable	(42.00)	(42.00)	[ICRA]A (Stable); upgraded from [ICRA]A- (Stable)
Short-term - Non-fund based	29.75	28.00	[ICRA]A1; upgraded from [ICRA]A2+
Total	**134.00**	**128.00**	

**Instrument details are provided in Annexure-I*

Rationale

The rating upgrade for the bank lines of Amines and Plasticizers Limited (APL/the company) factors in the expected improvement in its leverage and coverage metrics as well as the liquidity profile, supported by continued healthy demand for its products. The company's liquidity profile improved significantly in FY2024 on the back of steady cash generation, and this is expected to remain healthy, going forward, amid a stable working capital intensity and no major capex plans.

The ratings continue to factor in the long and established track record of operations and the technical expertise of the promoters in the chemical manufacturing segment. The ratings also factor in the company's healthy financial risk profile, characterised by comfortable capitalisation and debt coverage indicators. The ratings continue to take into account the company's strong position in the domestic market in manufacturing chemical products like methyl diethanolamine (MDEA), ethyl mono ethanolamine (EMEA) and N-methyl morpholine oxide (NMMO).

APL's profitability remains vulnerable to the volatility in raw material prices and utility costs, as witnessed in FY2022 and FY2023 when the operating margins moderated to around 7.1%. However, the company reported a healthy recovery of 360 basis points to 10.7% in FY2024, supported by higher volumes and reduction in power costs due to softening of piped natural gas (PNG-I) prices.

The supplier concentration risk also remains high for the company as it is dependent on Reliance Industries Limited (RIL, rated [ICRA]AAA (Stable)/[ICRA]A1+) for the sourcing of a major raw material i.e. ethylene oxide (EO). The ratings also take into consideration the vulnerability of profitability to foreign exchange fluctuations as exports contribute to 40-50% of the total revenues. However, the imports provide a natural hedge to the company to some extent.

The Stable outlook considers the company's established position in the ethanolamine and morpholine segments and continued healthy demand supporting volume growth for its products. The same is expected to drive the cash generation, going forward, and keep the credit profile stable.

Key rating drivers and their description

Credit strengths

Long operating track record and experience of promoters - For over four decades, the promoters have been involved in the manufacturing and trading of organic chemicals such as ethanolamines and morpholine. At present, APL is one of the largest producers of ethanolamines, morpholine, alkyl morpholine and gas treating solvents in India. These products find wide application in oil refineries, natural gas plants, ammonia plants, petrochemical plants, pharmaceuticals and agrochemical industries.

Healthy market position in ethanolamine and morpholine derivative segments – APL's main products include MDEA used in the petrochemical industry and at oil refineries, EMEA used in the pharmaceutical industry, and NMMO used as a solvent in the viscose fibre industry. These products contribute to majority of the company's total revenue. APL has a healthy share in these product segments in the domestic market and also caters to reputed companies in the overseas market. It generates 40-50% of its overall revenues from exports, mainly to the UAE, Turkmenistan, the US and Turkey. In FY2023, the company faced headwinds in the NMMO segment with the entry of Chinese players, which impacted APL's NMMO sales. Morpholine volumes recovered and rose sharply in FY2024 as the company forayed into China.

Comfortable capital structure and coverage indicators – The company's capital structure and coverage indicators have remained comfortable over the years, driven by adequate although volatile profitability, and the limited long-term debt, which has resulted in moderate debt levels. As on March 31, 2024, the gearing remained at 0.4 times (PY: 0.5 times), the interest coverage was 5.3 times (PY: 4.2 times) and the total debt/OPBDITA 1.2 times (PY: 2 times). The capitalisation and coverage indicators are likely to improve gradually over the medium term on the back of expected steady accruals and no anticipated major debt-funded capex in the near term.

Credit challenges

Vulnerability of profitability to fluctuations in raw material prices and utility costs - The company's profitability remains susceptible to the volatility in raw material prices and utility costs which are the major cost drivers. Its orders comprise fixed-price long-term contracts as well as spot contracts and it has the ability to partially pass on the volatility in input costs in some contracts. As a result, its profitability remains vulnerable to the adverse movements in raw material and power costs.

High supplier concentration risk - APL depends on a sole supplier for the sourcing of a major raw material, ethylene oxide (EO). This exposes the company to high supplier concentration risk, wherein the sole supplier dictates the pricing terms and the condition of the raw materials and limits the profitability to an extent.

Foreign currency fluctuation risk - Exports accounted for around 54% of the total revenues in FY2024, which makes the profitability vulnerable to forex rate fluctuations. However, the imports provide a natural hedge to the company to some extent. The company does not hedge its net forex exposure and, thus, remains vulnerable to forex rate movements for the unhedged portion.

Environmental and Social Risks

APL, being present in the chemical industry, is exposed to the risk of tightening regulations on environment and safety norms and the potential penalties in case of any non-compliance. However, as per the disclosures in the annual report, the company is environmentally compliant and adheres to various industry standards. The company has a zero liquid discharge facility and has also shifted to the use of PNG(I) as a source of fuel which is less polluting. In FY2024, the company entered into a PPA with a solar power developer to procure solar power under the group captive mode. This will enable the company to reduce its carbon footprint further.

The company's exposure to social risks mainly pertains to safe operations and remaining compliant with all environmental regulations to ensure the safety of employees. As per the disclosures, the company has adopted best practices, high safety standards and a skilled workforce.

Liquidity position: Strong

APL's liquidity is expected to remain strong, supported by free cash balance of Rs. 35.7 crore as on March 31, 2024, cushion in working capital borrowings of Rs. 37 crore as on March 31, 2024, and expected net cash accruals of Rs. 35-40 crore per annum. The company should be comfortably able to meet the maturity payment for the debentures in March 2025, given the liquidity at hand. The overall liquidity position is expected to remain strong as there are no major capex plans, going forward, and the incremental working capital requirements are expected to remain low.

Rating sensitivities

Positive factors – ICRA could upgrade APL's ratings if its scale and profitability margins improve on a sustained basis amid a healthy liquidity profile.

Negative factors – Any deterioration in the scale of operations and profitability margins on a sustained basis, or any stretch in the working capital cycle weakening the overall liquidity profile would have a negative impact on the ratings. A specific credit metric for downgrade would be interest coverage ratio of less than 5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Chemicals
Parent/Group support	Not Applicable
Consolidation/Standalone	ICRA has used the consolidated financials of APL for assigning the ratings. The details of entities that form part of the consolidated financials are given in Annexure-II

About the company

APL was incorporated in 1973 to take over the project of India Carbons Limited (ICL) for manufacturing 3,000 tonnes of plasticizers (DOP-di-octyl phthalate) per annum, the licence for which was received by ICL in 1970. Initially, the company commenced operations by manufacturing plasticizers used in polyvinyl chloride (PVC), which derives its ultimate application in the plastic industry. APL diversified its product profile and started manufacturing different varieties of organic and inorganic chemical compounds like ethanolamines, alkyl alkanolamines, plasticizers, morpholine, alkyl morpholines and gas treating solvents (mainly methyl diethanolamine) and morpholine oxide, which are used in oil refineries, natural gas plants, ammonia plants, petrochemical plants, pharmaceuticals, textile, oilfield chemicals, cosmetics and the agrochemical industry. At present, APL is a pioneer and one of the largest producers of ethanolamines, morpholine, alkyl morpholine and gas treating solvents in India. It is a global supplier of organic chemicals, which find application across various industries.

Key financial indicators (audited)

APL Consolidated	FY2023	FY2024	Q1 FY2025
Operating income	597.3	647.0	137.1
PAT	22.9	39.8	8.4
OPBDIT/OI	7.1%	10.7%	10.6%
PAT/OI	3.8%	6.2%	6.1%
Total outside liabilities/Tangible net worth (times)	0.9	0.7	-
Total debt/OPBDIT (times)	2.0	1.0	-
Interest coverage (times)	4.2	5.3	6.4

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 (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Sept 25, 2024	Aug 31, 2023	Aug 08, 2022	Jul 14, 2021
1	Term loan	Long term	0.00	-	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
2	Cash credit	Long term	100.00	**[ICRA]A (Stable)**	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
3	Interchangeable limits	Long term	(42.00)	**[ICRA]A (Stable)**	[ICRA]A- (Stable)	[ICRA]A- (Stable)	[ICRA]A- (Stable)
4	Non-fund based	Short term	28.00	**[ICRA]A1**	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Long-term – Fund-based – Interchangeable	Simple
Short-term – Non-fund based	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

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit	-	-	-	100.00	[ICRA]A (Stable)
NA	Interchangeable limits	-	-	-	(42.00)	[ICRA]A (Stable)
NA	Non-fund based limits	-	-	-	28.00	[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

Company Name	Ownership	Consolidation Approach
APL	Parent	Full Consolidation
Amines and Plasticizers FZ LLC	100.0 %*	Full Consolidation

**Owned by APL*

ANALYST CONTACTS

Girishkumar Kadam
+91 22 6114 3441
girishkumar@icraindia.com

Prashant Vasisht
+91 12 4454 5322
prashant.vasisht@icraindia.com

Varun Gogia
+91 124 4545 319
varun.gogia1@icraindia.com

Pawankumar Jagdale
+917045595212
pawankumar.jagdale@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches