

January 29, 2025^(Revised)

Krishna Antioxidants Private Limited: Ratings upgraded to [ICRA]A/[ICRA]A1; rated amount enhanced; outlook revised to Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based cash credit	45.00	45.00	[ICRA]A (Stable); upgraded from [ICRA]A-; outlook revised to Stable from Positive
Long-term fund-based term loans	30.00	27.50	[ICRA]A (Stable); upgraded from [ICRA]A-; outlook revised to Stable from Positive
Short-term fund-based working capital	45.00	45.00	[ICRA]A1; upgraded from [ICRA]A2+
Short-term non-fund based	40.00	40.00	[ICRA]A1; upgraded from [ICRA]A2+
Short-term interchangeable limits	(90.00)	(90.00)	[ICRA]A1; upgraded from [ICRA]A2+
Long-term interchangeable limits	(45.00)	(45.00)	[ICRA]A (Stable); upgraded from [ICRA]A-; outlook revised to Stable from Positive
Unallocated limits	80.00	122.50	[ICRA]A (Stable)/[ICRA]A1; upgraded from [ICRA]A-/ [ICRA]A2+ & assigned for enhanced amount; outlook revised to Stable from Positive
Total	240.00	280.00	

*Instrument details are provided in Annexure I

Rationale

The upgrade in the ratings factors in a steady improvement in the earnings profile of Krishna Antioxidants Private Limited (KAPL) as the OPBDITA/tonne has been expanding owing to favourable changes in the product mix, translating into higher margins in 9M FY2025. Going forward, the scale of operations is expected to grow steadily with a stable margin profile, leading to a consistent improvement in KAPL's credit profile, despite the ongoing debt-funded capex. Moreover, though the company has bought back shares worth Rs. 55 crore over the last two years, the overall financial profile remains healthy, marked by comfortable capital structure and debt coverage indicators. Further, the ratings take into account KAPL's comfortable liquidity position with the presence of cash and equivalents of ~Rs. 125 crore as of November 2024 and cushion in fund-based limits.

The ratings continue to consider the vast experience of KAPL's promoters with an established track record in manufacturing specialty chemicals and the company's reputed customer base comprising players from the oil and gas industry.

The ratings, however, remain constrained by KAPL's exposure to demand risks in the key end-user industry - oil exploration and refining - which depends on crude oil prices and the general economic cycle. The ratings also take into account the vulnerability of the company's profitability to the volatility in the prices of raw materials, some of which are crude oil derivatives. Further, the ratings take note of the fluctuations in foreign exchange rates due to the sizeable export sales, though the risk is partly mitigated by the natural hedge from import purchases and the partial hedging undertaken by the company. In addition, intense competition from domestic and global chemical manufacturers exerts pressure on the company's profit margin. ICRA also notes the client concentration risks as the top 10 customers account for 45-50% of the total sales, although the risk is mitigated to some extent by the repeat orders and the comfortable credit profile of these customers.

ICRA also notes that the company is undertaking a capex programme, which is likely to moderate the debt metrics to some extent, although these are likely to remain comfortable because of the strong liquidity in terms of cash and cash equivalents.

The Stable outlook on the long-term rating reflects ICRA's expectations that the company will continue to generate healthy cash flows from operations, which will translate into a comfortable credit profile despite the debt-funded capex.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in manufacturing speciality chemicals – KAPL, incorporated in May 1990, is an industrial chemicals manufacturer of speciality chemicals, mainly liquid phosphite antioxidants (LPA) and oilfield speciality chemicals (OFSC). The company is promoted by two brothers, Mr. Krishna Gupta and Mr. Anil Gupta, who have three decades of experience in the speciality chemical industry.

Comfortable debt protection metrics and healthy cash flow – KAPL's turnover grew 10% in FY2024 along with an improvement in the margins. Adequate accruals and a comfortable debt level have resulted in a healthy capital structure, evident from a gearing of 1 times as on March 31, 2024. The interest coverage ratio also improved with the profitability (OPBDITA/interest expense) at 7.22 times in FY2024 against 6.12 times in FY2023. While the company will be availing debt for the ongoing capex, the overall leverage and coverage metrics are expected to remain comfortable, going forward.

Reputed client base – KAPL's clientele includes companies involved in oil and natural gas drilling and refining activities. Reputed multinationals such as Oil and Natural Gas Corporation Limited, Numaligarh Refinery Limited, Indian Oil Corporation and Reliance Industries Limited are some of its clients.

Credit challenges

Volumes growth muted; total volumes remain range-bound – The volumes grew 30% in FY2024. The volume growth is likely to remain muted in FY2025 as the company focused more on the OFSC segment, while the LPA volumes declined.

Demand risk in key user industry – KAPL derives 55-60% of its revenues from the oil exploration industry. Such high reliance on the oil exploration segment exposes the company's operations to demand risks in the end-user industry, which in turn depends on the general economic cycle and crude oil prices. Moreover, the client concentration is also relatively high with the top 10 clients contributing 45-50% to the total sales of the company.

Volatility in raw material prices and fluctuation in foreign exchange rates – The key raw materials (chemicals) required by KAPL are derivatives of crude oil, making them prone to the fluctuations in the price movements of the latter. Most of the contracts with the customers are fixed price in nature, which exposes KAPL's profitability to the fluctuations in raw material prices. Further, its profitability remains exposed to foreign exchange risks as 40-50% of its sales are through exports. The forex risk is, however, mitigated to some extent by the natural hedge from imports, which account for 25-30% of the total purchases and the forward contracts booked by the company.

Liquidity position: Strong

KAPL's liquidity has remained strong, evident from the healthy cash and liquid investments and buffer in the fund-based limits. As of November 2024, the company had a liquidity of ~Rs. 125 crore. The company had Rs. 45-50 crore of unutilised limits in the last six months.

Rating sensitivities

Positive factors – ICRA could upgrade KAPL's ratings if the company demonstrates a consistent growth in its earnings profile along with an improvement in its credit profile amid a healthy liquidity position.

Negative factors – The ratings may be downgraded in case of a material decline in revenues and profitability on a sustained basis. Any sizeable fund outflow towards dividends or share buybacks materially impacting the liquidity position can also result in a downgrade. Further, an interest coverage of less than 5 times on a sustained basis can weigh on the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company

About the company

Krishna Antioxidants Private Limited (KAPL) is an industrial chemicals manufacturer of speciality chemicals, notably liquid phosphite antioxidants (LPA) and oilfield speciality chemicals (OFSC). KAPL's customer base includes players from diverse industries such as rubber, paints and plastics, along with major public sector undertakings such as Oil and Natural Gas Corporation Limited (ONGC) and Hindustan Petroleum Corporation Limited (HPCL) and other small-scale service providers involved in the exploration and production of oil and natural gas.

KAPL was incorporated in May 1990 as Krishna Fiscals Private Limited; it was renamed KAPL in August 1996. The company is promoted by brothers - Mr. Krishna Gupta and Mr. Anil Gupta - both of whom have had over three decades' experience in manufacturing LPAs. The company sells its products under the brand name of CRISTOL. At present, KAPL operates four manufacturing facilities. It began operations with a manufacturing unit at Chiplun, Maharashtra. In FY2015, the company purchased a new speciality chemical manufacturing unit at Lote, Maharashtra, close to the existing Chiplun unit. Later, in 2018, it set up its third unit at Chiplun, and the fourth unit came up at Dahej (Gujarat) in 2019.

The Gupta group of companies includes two other small-scale entities - M/s Globe Industries (GI) and Akrur Chemicals Private Limited (ACPL) - which manufacture similar products for KAPL on a job-work basis.

Key financial indicators (audited)

	FY2022	FY2023	FY2024
Operating income	543.86	664.64	733.58
PAT	34.95	28.99	46.57
OPBDIT/OI	10.33%	7.78%	10.18%
PAT/OI	6.43%	4.36%	6.35%
Total outside liabilities/Tangible net worth (times)	1.72	1.67	2.38
Total debt/OPBDIT (times)	1.28	1.95	1.98
Interest coverage (times)	10.29	6.12	7.22

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

Current (FY2025)			Chronology of rating history for the past 3 years						
			FY2024		FY2023		FY2022		
Instrument	Type	Amount rated (Rs. crore)	Jan 29, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based cash credit	Long term	45.00	[ICRA]A(Stable)	Feb-27-24	[ICRA]A-(Positive)	Feb-28-23	[ICRA]A-(Stable)	Mar-10-22	[ICRA]A-(Stable)
Fund-based term loans	Long term	27.50	[ICRA]A(Stable)	Feb-27-24	[ICRA]A-(Positive)	-	-	-	-
Fund-based working capital	Short term	45.00	[ICRA]A1	Feb-27-24	[ICRA]A2+	Feb-28-23	[ICRA]A2+	Mar-10-22	[ICRA]A2+
Non-fund based	Short term	40.00	[ICRA]A1	Feb-27-24	[ICRA]A2+	Feb-28-23	[ICRA]A2+	Mar-10-22	[ICRA]A2+
Interchangeable limits	Long term	(45.00)	[ICRA]A(Stable)	Feb-27-24	[ICRA]A-(Positive)	Feb-28-23	[ICRA]A-(Stable)	Mar-10-22	[ICRA]A-(Stable)
Interchangeable limits	Short term	(90.00)	[ICRA]A1	Feb-27-24	[ICRA]A2+	Feb-28-23	[ICRA]A2+	Mar-10-22	[ICRA]A2+
Unallocated limits	Long term and short term	122.50	[ICRA]A (Stable)/[ICRA]A1	Feb-27-24	[ICRA]A-(Positive)/[ICRA]A2+	Feb-28-23	[ICRA]A-(Stable)/[ICRA]A2+	Mar-10-22	[ICRA]A-(Stable)/[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based – Cash credit	Simple
Long-term fund-based – Term loan	Simple
Long term – Interchangeable	Very Simple
Short term – Fund based – Working capital limits	Very Simple
Short term – Interchangeable	Simple
Short term – Non-fund based	Simple
Unallocated limits	Not Applicable

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
-	Fund-based cash credit	NA	NA	NA	45.00	[ICRA]A (Stable)
-	Fund-based term loans*	NA	NA	NA	27.50	[ICRA]A (Stable)
-	Fund-based working capital	NA	NA	NA	45.00	[ICRA]A1
-	Non-fund based	NA	NA	NA	40.00	[ICRA]A1
-	Interchangeable limits	NA	NA	NA	(45.00)	[ICRA]A (Stable)
-	Interchangeable limits	NA	NA	NA	(90.00)	[ICRA]A1
-	Unallocated amount	NA	NA	NA	122.50	[ICRA]A(Stable)/ [ICRA]A1

Source: Company; *- Company has no outstanding term loan as on March 31, 2023

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

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

Corrigendum:

Document dated January 29, 2025, has been corrected with revisions as detailed below:

Revisions on page number 3 under “Key financial indicators”. “Operating Income” of FY2024 revised to Rs. 733.58 crore from Rs. 731.32 crore.

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