

April 07, 2025

Acme Chem Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/Short term unallocated	10.00	10.00	[ICRA]A(Stable)/[ICRA]A1; reaffirmed
Total	10.00	10.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of the ratings continues to factor in the established presence of the Acme Chem Limited Group in the rubber chemicals industry. The ratings draw comfort from the strategic location of Unit 1 near Unit 2 in the Panoli chemical hub of Gujarat. This proximity, coupled with the Group's established relationships with reputed automobile tyre manufacturers, has ensured repeat business over the years.

The consolidated capital structure was comfortable with the gearing at 0.3 times and TOL/TNW at 0.5 times as on March 31, 2024, due to a healthy net worth that was supported by stable accretion to reserves. The capital structure is likely to remain comfortable in the medium term. ICRA notes, in FY2024, Finorchem had completed the capex to launch new products. The capex was partly funded through debt. Following the capex completion, the company is yet to achieve a ramp-up in sales. Also, Finorchem is undertaking further capex to secure a critical raw material for one of its existing products which is likely to be completed by Q1 FY2026. This, too, is partly funded through debt. Consequently, the partly debt-funded capex, along with the high working capital borrowing, has moderated the leverage and coverage metrics in 11M FY2025. The coverage metrics are likely to remain moderate in the near term. The working capital borrowing increased in Q4 FY2025 due to higher inventory levels designated towards the backward-integration capex. Nevertheless, the market acceptance of the new products and their subsequent scaling-up are likely to support the company's revenue growth along with the increase in its operating margins, thereby improving the coverage metrics in the medium term. The completion of the backward-integration capex is also likely to support the operating margins.

However, the ratings are constrained by the fact that Finorchem's Unit 2 is yet to achieve optimal capacity utilisation, although it is witnessing a gradual ramp-up in volumes. The company also faced pricing pressure that impacted the realisations in 11M FY2025 due to product dumping from international players. Further, rubber chemical manufacturing remains exposed to high sectoral concentration risks due to significant dependence on the tyre manufacturing industry. Besides, the Group is likely to remain exposed to foreign exchange rate fluctuation risk as a major portion of its raw materials is imported. However, this forex risk is mitigated to an extent by a partial natural hedge and the quarterly revision of sale prices offered to its customers.

ACL has large investments in land, mainly through subsidiaries and JVs, which have not given commensurate return till date, keeping the overall return on capital employed under check. However, the development agreement entered by ACL and some of its subsidiaries with a reputed real estate developer to monetise a part of the investment in land is likely to support its cash flows, going forward, though the timeliness of the same cannot be ascertained.

The Stable outlook on the long-term rating reflects ICRA's expectation that the Group is likely to sustain its operating metrics. Further, the outlook underlines ICRA's expectation that the Group's incremental capex will be funded in a manner to durably maintain its debt protection metrics that are commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Established presence in rubber chemicals industry – The Group is an established player within the speciality rubber chemicals industry. Finorchem has two operating chemical manufacturing units - Unit 1 (the rubber chemical manufacturing unit of ACL transferred to Finorchem after the scheme of arrangement w.e.f April 1, 2019) and Unit 2 (it was acquired in FY2019). Unit 1 has a healthy share in the domestic market for its product range, though the product portfolio remains limited compared to its larger peers. Unit 2 has an established track record in the speciality chemical industry, with a reputed brand name, primarily catering to the tyre industry, and has a larger product range as well as higher capacity than Unit 1. However, the clientele, mainly belonging to the tyre industry, is similar for both units.

Comfortable capital structure – The consolidated capital structure was comfortable with gearing at 0.3 times and TOL/TNW at 0.5 times as on March 31, 2024, due to a healthy net worth supported by stable accretion to reserves. The capital structure is likely to remain comfortable in medium term. However, the partly debt-funded capex, completed and being undertaken, along with the high working capital borrowing has moderated the leverage and coverage metrics in 11M FY2025. The coverage metrics are likely to remain moderate in the near term. Nevertheless, the market acceptance of the new products and their subsequent scaling-up are likely to support the company's revenue growth along with the increase in its operating margins, thereby improving the coverage metrics in the medium term. The completion of the backward-integration capex is also likely to support the operating margins.

Strategic location of plants – Finorchem's units are located at the chemical hub in Gujarat, with access to large cities such as Surat and Bharuch. Moreover, both units are in proximity to each other, which is likely to provide some operational advantages. Finorchem's other two plants of relatively smaller capacities are in Kerala and are non-operational at present.

Reputed customer base with established relationships reduces offtake risks – Finorchem's acceptable product quality has led to repeat businesses from its customers over the years. The entity has an established brand and its products have been approved by some of the prominent players in the tyre manufacturing industry, mitigating the offtake risks to an extent.

Credit challenges

Gradual ramp-up in Unit 2's volumes, however, yet to achieve optimal capacity utilisation – Finorchem's Unit 2 commenced commercial production in December 2020. Although the unit is witnessing a gradual ramp-up in volumes, it is yet to achieve optimal capacity utilisation. Going forward, further revenue growth will depend on Unit 2 achieving optimal capacity utilisation, market acceptance and ramp-up of sales of new products.

High sectoral concentration risk – The Group's clientele comprises major tyre manufacturing companies, exposing it to high sectoral concentration risks. Any slowdown in the domestic tyre industry will lead to a decline in the operating income.

Exposure to foreign exchange rate fluctuation risk – A major portion of the raw materials required for rubber chemical manufacturing is imported, and the company is likely to remain exposed to foreign exchange rate fluctuation risk. However, a partial natural hedge arising from some of the exports and the quarterly price-revision arrangement with customers mitigate the company's exposure to forex risks to some extent.

Large investments in land, primarily through subsidiaries, yet to generate returns – ACL has large investments in land, a major portion of which is through its subsidiaries. Lack of return from the investments has affected the overall business returns so far. However, the development agreement entered by ACL and some of its subsidiaries with a reputed real estate developer to monetise a part of its land assets is likely to support the Group's cash flows, going forward, though the timeliness remains uncertain.

Liquidity position: Adequate

The consolidated liquidity position is adequate with a cushion in working capital limits. The average working capital utilisation was ~51% of the drawing power between March 2024 and February 2025, providing a cushion to the liquidity. The term loan repayment obligations are ~Rs. 27 crore in FY2026 and ~Rs. 28 crore in FY2027. The estimated cash flow from operations would be adequate to service the repayment obligations. Further, healthy cash and liquid investments are likely to support the consolidated liquidity position.

Rating sensitivities

Positive factors – A significant improvement in consolidated revenue and profitability on a sustained basis, may lead to a rating upgrade. A specific credit metric for an upgrade includes consolidated debt to OPBDITA lower than 1.5 times on a sustained basis.

Negative factors – The ratings could be downgraded if there is any significant deterioration in consolidated revenues and profits, affecting the overall financial profile. Further, any large debt-funded capex/acquisition resulting in increased leverage and pressure on its coverage metrics on a sustained basis, or a stretch in the working capital intensity impacting the liquidity profile of consolidate entity may also exert pressure on 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 consolidated financials of Acme Chem Limited

About the company

Acme Chem Limited (ACL), incorporated in 1992, is promoted by Mr. Narain Holani. Prior to the scheme of arrangement, ACL manufactured a few select grades of speciality chemicals, which were used as critical inputs for rubber manufacturing in small proportions. It manufactured rubber chemicals like peptisers, antioxidants, pre-vulcanising inhibitors, accelerators and others, which were used in different stages of rubber processing. The company primarily catered to automobile tyre manufacturers. The chemical manufacturing plant is at Ankleshwar in the Bharuch district of Gujarat and has a total installed capacity of 10,800 metric tonnes per annum (MTPA).

After the National Company Law Tribunal's (NCLT) approval for the scheme of arrangement, ACL's rubber chemical manufacturing division was transferred to Finorchem. Moreover, ACL's subsidiaries, Lesha Commercial Private Limited and Adirish Properties Private Limited, have been amalgamated with ACL to eliminate cross-holding. The parent, ACL, along with the subsidiaries (other than Finorchem) and JVs, engages in investing activities and deals in real estate.

Finorchem Limited (erstwhile Merchem Limited), incorporated in 1994, was involved in the manufacturing of speciality rubber and a few other chemicals. However, the company discontinued its operations due to financial stress. In FY2019, Finorchem was acquired by Acme Chem Limited through the corporate insolvency resolution process (under the provisions of the Insolvency and Bankruptcy Code, 2016). Finorchem has plants at Eloor and Edayar in Kerala (9,120 MTPA) and Panoli in Gujarat (49,400 MTPA), with a total capacity of 58,520 MTPA. Finorchem's largest plant at Panoli was revamped and commenced operations in December 2020. In FY2024, the company completed capex to launch new products with additional increase in capacity by 31,000 MTPA to 58,520 MTPA. At present, the plant in Kerala is not operational.

Key financial indicators (audited)

(Consolidated)	FY2023	FY2024
Operating income	576.3	542.2
PAT	55.0	50.8
OPBDIT/OI	11.8%	11.5%
PAT/OI	9.5%	9.4%
Total outside liabilities/Tangible net worth (times)	0.5	0.5
Total debt/OPBDIT (times)	2.1	2.6
Interest coverage (times)	5.3	5.6

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	Type	Current (FY2026)		Chronology of rating history for the past 3 years					
		Amount Rated (Rs Crore)	Apr 7, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Long term/Short term - Unallocated	Long term/Short term	10.00	[ICRA]A (Stable)/[ICRA]A1	-	-	20-OCT-2023	[ICRA]A (Stable)/[ICRA]A1	12-OCT-2022	[ICRA]A (Positive)/[ICRA]A1
				-	-	26-MAR-2024	[ICRA]A (Stable)/[ICRA]A1	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Unallocated	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
NA	Unallocated	NA	NA	NA	10.00	[ICRA]A(Stable)/[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	ACL Ownership	Consolidation Approach
Acme Chem Limited	100.00% (Rated entity)	Full consolidation
Adirish Heights Private Limited	99.83%	Full consolidation
Emerald Heights Private Limited	99.08%	Full consolidation
Rational Heights Private Limited	82.53%	Full consolidation
Hiramoti Nirman Private Limited	67.56%	Full consolidation
Finorchem Limited	100.00%	Full consolidation
Satyam Enclave Private Limited	47.88%	Equity Method
Adirish Nirman LLP	99.0%	Full consolidation
Adirish Realty LLP	99.0%	Full consolidation
Hiramoti Properties LLP	99.0%	Full consolidation
Keytouch Properties LLP	99.0%	Full consolidation
Lesha Realty LLP	99.0%	Full consolidation
Nirmachan Realty LLP	99.0%	Full consolidation
Nirmaalya Estate LLP	99.0%	Full consolidation
Buddhividhata Realty LLP	99.0%	Full consolidation
Chaturanant Realty LLP	99.0%	Full consolidation
Gajakama Realty LLP	99.0%	Full consolidation
Lambkam Realty LLP	99.0%	Full consolidation
Paridhan Realty LLP	99.0%	Full consolidation
Raktakaraya Realty LLP	99.0%	Full consolidation
Sukhanidhi Realty LLP	99.0%	Full consolidation
Devyai Realty LLP	99.0%	Full consolidation
Himganga Realty LLP	99.0%	Full consolidation
Jagadisha Realty LLP	99.0%	Full consolidation
Mahadriga Realty LLP	99.0%	Full consolidation

Source: ACL annual report FY2024

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Prashant Vasisht

+91 124 4545 322

prashant.vasisht@icraindia.com

Kushal Kumar

+91 40 6939 6408

Kushal.kuamr@icraindia.com

Sankalpa Mohapatra

+91 40 6939 6409

sankalpa.mohapatra@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



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.