

April 09, 2025

## Assam Petro-Chemicals Limited: Rating upgraded and removed from Issuer Non Cooperating category

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Term loan	890.67	-	-
Long-term fund based- Cash credit	0.00	53.91	[ICRA]BB- (Stable); upgraded from [ICRA]B+(Stable); ISSUER NOT COOPERATING and removed from Issuer Not-Cooperating category
Long term- Unallocated	0.00	836.76	[ICRA]BB- (Stable); upgraded from [ICRA]B+(Stable); ISSUER NOT COOPERATING and removed from Issuer Not-Cooperating category
<b>Total</b>	<b>890.67</b>	<b>890.67</b>	

\*Instrument details are provided in Annexure I

### Rationale

ICRA has upgraded the rating of Assam Petrochemicals Limited (APL) and removed it from the Issuer Not-Cooperating (INC) category owing to APL's cooperation in concluding the rating exercise.

The rating for the bank facilities of APL factors in its weak profitability metrics in methanol operations amid elevated natural gas prices and relatively low methanol realisations. The profitability pressures are expected to continue even as the forward-integrated formalin manufacturing is expected to begin operations in a couple of months. The rating also remains constrained by the liquidity pressures caused by significant cost and time overruns in the project amid muted profitability.

The methanol project faced initial ramp-up related hiccups and has now been able to achieve 70-80% capacity utilisation for the 500 tonnes-per-day (TPD) plant, while the new formalin unit is yet to start operations. After facing sizeable cost and time overruns, the project cost has now materially escalated to Rs. 2,267 crore. The overruns have been partly funded by debt and partly by the extended credit period from Oil India Limited (OIL). The company has requested equity support from the promoters, though it is yet to be approved.

The operations, on the other hand, continue to be loss making with the company reporting an operating loss of around Rs. 77 crore in FY2024, which further widened to Rs. 115 crore in 9M FY2025 on account of elevated gas prices and pressure on realisations. Employee cost continues to be a major headwind for the company, accounting for around 50% of the total revenue in FY2024, although this cost component is not expected to increase materially, going forward. These losses are expected to reduce when the 500-TPD methanol plant and the 200-TPD formalin plant operate at full capacity as these units are likely to be more cost-efficient vis-à-vis the existing facility. However, the company is expected to continue to report operating losses in the near term, until it gets some relief from the government on VAT or subsidy on the natural gas.

ICRA expects OIL to support the company's cash flows via extended credit period on the natural gas payables. Moreover, the company has applied for a waiver on the VAT on natural gas, which if received will also provide a push to the OPBDITA generation. Lastly, demand from Bangladesh and a few proposed pilot projects in India can also be remunerative for APL. These remain the key monitorables for the rating.

Additionally, the company's profitability remains vulnerable to the volatility in international methanol and natural gas prices, import duty levels and foreign exchange fluctuations. The rating also factors in the modest financial risk profile of the entity owing to its weak cash flow generation.

The rating continues to factor in the strength of APL's parentage, being promoted by the Government of Assam (GoA) and Oil India Limited (OIL). The rating also takes into account its long and established track record in the industrial chemical segment and its status as the sole manufacturer of methanol in eastern India as all the other players are located on the west coast of India.

The rating favourably factors in the support from its promoters, particularly Oil India Limited (OIL), which owns a 48.8% stake. The rating also factors in the raw material security for APL for its ongoing as well as upcoming methanol capacity, given its 15-year contract with OIL to supply natural gas at domestic gas price rates and the extended credit period on the gas supplied by OIL. APL's rating also favourably factors in the positive demand outlook for methanol consumption in India and the high import dependence in the country with nearly 96% of the demand being met through imports.

The Stable outlook on the rating reflects ICRA's expectations that OIL will continue to support the firm in the form of extended credit period on the natural gas payables, thereby keeping the cash flows comfortable.

## Key rating drivers and their description

### Credit strengths

**Long and established track record in manufacturing methanol and formalin; strong promoter profile** – APL is promoted by the Government of Assam (51%) and Oil India Limited (48.8%) which has infused equity in the company for the ongoing capex. At present, OIL has granted an extended credit period to APL, aiding the latter's cash flow generation. The company has a long track record of over 30 years in manufacturing methanol and downstream products like formaldehyde (formalin) with a strong presence in regions like the Northeast, West Bengal, Bihar and North India.

**Sole manufacturer of methanol in eastern India; positive demand outlook for methanol consumption in India** – APL is the sole manufacturer of methanol in eastern India and has access to the entire market of East and North East India. Most of the methanol imports happen on the west coast of India and additional freight cost has to be incurred to bring in the imported methanol to the eastern markets. This makes APL's methanol competitive against imports. The demand outlook for methanol remains positive, expanding at a healthy CAGR of 7-8% per annum over the last few years, driven by the plywood industry, formalin resin etc. Further, the growing usage of methanol in the production of methyl tertiary-butyl ether, pharmaceuticals, acetic acid, etc. will fuel demand in India in the coming years.

**Raw material security from 15-year gas offtake agreement with Oil India Limited along with availability of natural gas at domestic gas price** – Natural gas is the primary input for the production of methanol, a part of which is converted to formalin. APL has a long-term agreement with OIL for the supply of 0.11 mmscmd natural gas for its old unit and 0.50 mmscmd gas for its proposed new capacity for a period of 15 years ending December 2028. The raw material supply risk is largely mitigated as OIL remains committed to the project's success as a co-promoter and has signed a supply agreement with APL for additional gas supply.

### Credit challenges

**Delay in commissioning of methanol and formalin projects along with cost overruns; delay in fund tie-up for cost escalation portion** – The 500-TPD methanol plant was commissioned in April 2023 and commercial production started in May 2023 and a 200-TPD formalin project is expected to be commissioned by May 2025. The project has witnessed cost and time overruns and the total project cost has risen to Rs. 2,267 crore from Rs. 1,337 crore initially due to increase in the scope of work, commissioning expenses and implementation of the goods & services tax.

**Modest scale of operations and weak cost structure, driven by high employee and power cost** – The company's scale of operations remains moderate on account of a limited product profile and low production capacity. The new capacities took a sizeable time to commission and are still operating at around 70% capacity utilisation. Moreover, a significantly high fixed cost, majorly comprising employee and natural gas cost, continues to drain APL's profitability.

**Vulnerability of profitability to natural gas prices, import duty levels, global methanol prices and foreign exchange fluctuations** – APL’s profitability is vulnerable to the cyclical nature in the prices of industrial chemicals like methanol and fluctuations in natural gas prices. The reduction in import duty on imported methanol could impact the company’s profitability. Moreover, APL’s profit margins remain exposed to adverse fluctuations in rupee-dollar exchange rates because of the import parity pricing for domestic sales.

**Modest financial risk profile** – APL’s financial risk profile remains moderate, given its weak profitability as the employee cost is high for the company, while methanol realisations remain volatile. While APL was debt-free before the commencement of the ongoing project, the company has availed a significant amount of debt to fund the methanol and formalin projects. As a result, the financial risk profile of the company is expected to remain modest in the near to medium term, amid the profitability pressures.

## Liquidity position: Stretched

APL’s liquidity remains stretched as the projects have witnessed cost and time overruns. The 500-TPD project got commissioned in April 2023 and the new formalin plant is yet to commission. This, coupled with the pressure on profitability owing to elevated feedstock prices and depressed end-product prices, is likely to keep the liquidity stretched, as the company will have to rely on extended credit period from suppliers to meet its cash flow mismatches.

## Rating sensitivities

**Positive factors** – The rating can be upgraded if there is a material improvement in profitability, leading to healthy cash generation and improving its debt metrics.

**Negative factors** – The rating can be downgraded in case of a consistent pressure on profitability. Weakening of linkages between APL and its promoters will also weigh on the rating.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Chemicals</a>
Parent/Group support	In its earlier rating approach, ICRA expected APL to benefit from the strong parentage of Oil India Limited (OIL). ICRA also expected that OIL will provide significant operational synergy to APL in terms of regular supply of key raw materials for manufacturing methanol and extended credit period
Consolidation/Standalone	Standalone

## About the company

Assam Petro-Chemicals Limited (APL), promoted by the Government of Assam (GoA) and the Assam Industrial Development Corporation (AIDC), was incorporated as a public limited company in 1971 to produce methanol and formaldehyde (formalin). The commercial production of the methanol unit had started in 1976 and it was the first company in India to manufacture methanol using natural gas. Based in Namrup in Assam, APL manufactures methanol and formaldehyde (formalin) which is widely used in the plywood and agro-based industries. At present, the company has a methanol manufacturing capacity of 100 TPD (33,000 MTPA) and a formalin manufacturing capacity of 125 TPD (41,250 MTPA). APL has recently set up a 500-tonnes-per-day (TPD) methanol manufacturing plant based on natural gas as the feedstock at Namrup, along with a downstream 200-TPD formalin plant at Boitamari (near Bongaigaon), in West Assam. The methanol project was commissioned in April 2023 and the formalin project is expected to be commissioned by May 2025.

## Key financial indicators (audited)

APL Standalone	FY2023	FY2024	9M FY2025*
Operating income	104.1	87.8	271.5
PAT	-67.4	-78.6	-228.4
OPBDIT/OI	-62.9%	-88.4%	-42.4%
PAT/OI	-64.7%	-89.6%	-84.1%
Total outside liabilities/Tangible net worth (times)	1.9	3.1	6.4
Total debt/OPBDIT (times)^	NM	NM	NM
Interest coverage (times)^	NM	NM	NM

Source: Company, ICRA Research; \* Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation ^Not meaningful

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	9-Apr-25	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Term loan	Long term	-	-	Dec-31-24	[ICRA]B+(Stable); ISSUER NOT COOPERATING	Oct-13-23	[ICRA]BB+ (Negative)	Mar-24-23	[ICRA]BB+ (Negative)
Cash credit	Long term	53.91	[ICRA]BB- (Stable)	-	-	-	-	-	-
Unallocated	Long term	836.76	[ICRA]BB- (Stable)	-	-	-	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based - Cash credit	Simple
Long term - 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
-	Cash credit	NA	NA	NA	53.91	[ICRA]BB- (Stable)
-	Unallocated	NA	NA	NA	836.76	[ICRA]BB- (Stable)

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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### Branches



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