

June 30, 2025

Ashapura International Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-Term – Fund-Based/CC	6.75	4.05	ICRA]BB (Stable); Reaffirmed
Long-Term/Short-Term - Unallocated	43.25	45.95	ICRA]BB (Stable)/[ICRA]A4; Reaffirmed
Total	50.00	50.00	

*Instrument details are provided in Annexure I

Rationale

The ratings reaffirmation takes into account the extensive experience of the management in the mining industry and its access to captive bentonite mines in Gujarat with sizeable reserves, which improve its cost competitiveness and provides prospects of steady revenue from the export market, which is likely to scale up in the coming years. In FY2025, the company witnessed a marginal growth in revenues by 0.4% on a YoY basis to Rs. 624.15 crore, aided by healthy demand scenario, which is expected to grow on the back of stable demand and increase in production levels. ICRA also notes the healthy operating profit margin (OPM) of AIL, which is largely attributed to the savings in freight cost due to proximity of its bentonite processing facility to the ports of Kandla and Mundra. However, ICRA notes that there has been a decline in the OPM in FY2025 but remained strong at 13.7%. The ratings also favourably consider AIL's reputed customer base, which indicates its good product quality and ensures revenue stability in the form of repeat orders.

The ratings, however, remained constrained because of the non-performing asset (NPA) status of its parent company, Ashapura Minechem Limited (AML). AML's 100% shareholding in AIL has been pledged in favour of the former's operational creditor (ASQ Connect Limited), which exposes the company to the risk of share pledge invocation in case of non-adherence to the terms of the settlement agreement. AIL's liquidity remains stretched, characterised by elongated payables to support its high working capital requirements emanating from high receivables and inventory holding period. Owing to reduction in working capital limits, the company relies on unsecured loans from the Group companies and loans from other financial institutions, which result in increased interest burden for the company. Notwithstanding a natural hedge in the form of soda ash imports, AIL remains exposed to fluctuations in foreign exchange (forex) as exports accounted for 60-65% of its total sales in the last couple of years. AIL's profitability also remains exposed to regulatory risks pertaining to the domestic bentonite mining industry.

Key rating drivers and their description

Credit strengths

Location-specific advantage; access to captive bentonite mines – AIL's bentonite processing facility is in proximity to the ports of Kandla and Mundra, leading to savings in freight cost for its export shipments. AIL has mining leases for bentonite mines in Kutch district of Gujarat. The mines have sizeable reserves and are expected to last for more than 20 years, as per the management.

Reputed customer base – The company's customer profile consists of reputed players in the international and domestic markets, which indicate good product quality, reduce counterparty credit risks, and ensure repeat orders. The top-10 customers accounted for 54% of revenues in FY2025 against 61% in FY2024.

Comfortable capital structure and coverage indicators; healthy profitability level – The company’s financial profile is comfortable, marked by a low gearing and comfortable coverage indicators. The gearing stood at 0.1 times as on March 31, 2025, due to healthy net worth position of AIL. The coverage indicators remained comfortable in FY2025 with an interest coverage ratio of 8.3 times and total debt-to-operating profit of 0.5 times. The company’s sanctioned working capital limits have been gradually declining from Rs. 6.7 crore to Rs. 4.1 crore in June 2024. Despite reduction in its working capital limits, the company’s reliance on the same remained limited with negligible utilisation of the working capital limits. This is due to the company’s reliance on using unsecured loans and term loan for working capital requirement. The company’s operating margins have declined, however, still remained healthy at 13.7% in FY2025.

Credit challenges

Constrained financial flexibility – The financial flexibility of the company is constrained, as evident from the steady reduction in its sanctioned working capital limits. The AIL’s parent company, AML, continues to remain a NPA for its lenders. AML’s 100% shareholding in AIL is pledged in favour of the former’s operational creditor, ASQ Connect Limited, which exposes the company to the risks of share pledge invocation in case of non-adherence to the terms of the settlement agreement. Constrained financial flexibility has also adversely impacted AIL’s debt raising ability, necessitating higher reliance on creditor funding with limited access to bank funding.

Elongated working capital cycle – AIL has high working capital requirements emanating from high inventory holding period and high receivable, mainly from its Group companies and elongated payables towards creditors. The receivable days continue to remain high due to high credit period extended to some of its buyers. High working capital intensive operations is also reflected in high net working capital-to-operating income ratio (NWC/OI) of 42% in FY2025. Steady reduction in the working capital limits puts further pressure on the working capital requirement.

Susceptible to foreign currency fluctuations – Notwithstanding a natural hedge in the form of soda ash imports, which account for the major portion of the overall raw material requirement, AIL remains exposed to fluctuations in foreign exchange (forex) as exports accounted for 62% of its total sales in FY2025. Nevertheless, ICRA notes that the company has not incurred any major forex loss in the last several years.

Exposed to regulatory risks – AIL remains exposed to regulatory risks pertaining to the domestic bentonite mining industry. Any unfavourable change in bentonite mining policies can have a material impact on its operating profile.

Liquidity position: Stretched

AIL’s liquidity remains stretched, as reflected in its elongated payables of Rs. 90.4 crore as on March 31, 2025. The company had free cash and liquid balances of Rs. 12.1 crore with unutilised bank limits of Rs. 4.1 crore as on March 31, 2025. Against this, the company has repayment obligation of Rs. 1.6 crore each in FY2026 and FY2027. Any large dividend payout to AML to part fund its settlement obligations or any large cash outflow to related parties could affect the liquidity position of the company and hence, remain key rating sensitivities.

Rating sensitivities

Positive factors – The ratings could be upgraded if there is any material improvement in the financial flexibility of the parent i.e., AML, evidenced in company's ability to raise funds from banks/financial institutions. Moreover, growth in AIL’s revenues and profitability, leading to an improvement in the overall financial profile and or liquidity position with limited reliance on

creditor funding would also be a positive factor.

Negative factors – Pressure on the ratings could arise if there is any large dividend payout to AML to part fund its settlement obligations or invocation of pledged shares by ASQ would also be negative factors. The ratings could be downgraded in case of any unfavourable change in the regulatory framework of bentonite, or any large debt-funded capex/substantial weakening in cash flows of AIL adversely impacting its credit metrics and liquidity position, or any large cash outflows to related parties.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology-Mining
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of AIL.

About the company

Incorporated in 1989, AIL is a wholly-owned subsidiary of AML and is involved in the mining of bentonite lumps and processing the same in powder and granule form. AIL has captive mines of bentonite in Gujarat. AIL's bentonite processing facilities are in Bhuj, Gujarat with an installed capacity of 5,70,000 metric tonnes per annum. In FY2017, the company forayed into a new product called geosynthetic clay liner with an installed capacity of 5 million square metres per annum. The company has several distribution centres across Mangalore and Bengaluru (Karnataka), Cuttack (Odisha), Jaipur (Rajasthan), Ludhiana (Punjab), Kolhapur (Maharashtra) and Kolkata (West Bengal).

Key financial indicators (audited)

Standalone	FY2023	FY2024	FY2025*
Operating income	506.9	622.0	624.2
PAT	37.4	69.7	52.8
OPBDIT/OI	12.6%	17.5%	13.7%
PAT/OI	7.4%	11.2%	8.5%
Total outside liabilities/Tangible net worth (times)	0.6	0.6	0.5
Total debt/OPBDIT (times)	0.6	0.6	0.5
Interest coverage (times)	11.1	13.8	8.3

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

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)	Jun 30, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based cash credit	Long-term	4.05	ICRA]BB (Stable)	-	-	Mar 28, 2024	[ICRA]BB (Stable)	Mar 30, 2023	[ICRA]BB (Negative)
Unallocated limits	Long Term/ Short Term	45.95	ICRA]BB (Stable)/ ICRA]A4	-	-	Mar 28, 2024	[ICRA]BB (Stable)/ [ICRA]A4	Mar 30, 2023	[ICRA]BB (Negative)/ [ICRA]A4

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based Cash Credit	Simple
Long-term/short-term – 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
NA	Cash credit	-	-	-	4.05	[ICRA]BB(Stable)
NA	Unallocated limits	-	-	-	45.95	[ICRA]BB(Stable)/[ICRA]A4

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

ANALYST CONTACTS

Jitin Makkar

+91 124-4545368

jitinm@icraindia.com

Nishant Misra

+91 124 4545 862

nishant.misra@icraindia.com

Ronak Vadher

+91 022 61693341

ronak.vadher@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

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ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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