

July 31, 2025

## Nitrex Chemicals India Limited: Rating reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Fund based - Export bill discounting facility	20.00	20.00	[ICRA]A2+; reaffirmed
Short term – Interchangeable -Others*	(20.00)	(20.00)	[ICRA]A2+; reaffirmed
<b>Total</b>	<b>20.00</b>	<b>20.00</b>	

Note: Amounts in Rs. crore, \* There are sub-limits of this facility with overall borrowing limit capped at Rs. 20 crore. The limits available are short term in nature

### Rationale

The reaffirmation of the ratings assigned to the bank lines of Nitrex Chemicals India Limited (NCIL/the company) factors in the long and established track record of the company in manufacturing nitrocellulose in India. The company is the largest manufacturer of nitrocellulose in India. After the capacity expansion in FY2024, it has witnessed a healthy growth in its scale of operations as the demand for the product has remained healthy. The rating also factors in the healthy financial risk profile of the company, characterised by steady cash generation, low reliance on debt and an adequate liquidity position.

ICRA notes that the company has merged the engineering procurement and construction (EPC) division of Jai Hind Projects Limited, as per the National Company Law Tribunal's (NCLT) order dated August 8, 2024, and effective from April 1, 2023. Jai Hind Projects Limited was acquired by NCIL's group company under a resolution plan filed in NCLT in FY2019. The EPC division is engaged in providing job work services for setting up oil and gas pipelines across India. The division had an order book of ~Rs. 201 crore as on March 31, 2025. The EPC division contributed a revenue of Rs. 47.9 crore in FY2024 and Rs. 37 crore in FY2025 (Prov). The division is expected to witness revenue growth as majority of its projects are nearing completion. While there have been few non-cash write-offs of long pending dues from some customers, the EPC division has not impacted NCIL's liquidity and overall credit profile.

The rating is also constrained by the high competition the company faces from imported nitro-cellulose, post the removal of anti-dumping duty from July 2024. While NCIL has been able to maintain healthy profitability, it will remain susceptible to the increased influx of low-cost imports.

The rating continues to factor in the high dependence on creditor funding. However, the total outside liabilities/total net worth (TOL/TNW) remains comfortable due to the low external debt. The rating is also constrained by the volatility in raw material prices and foreign exchange rates as the company does not hedge its foreign currency exposure. While the company has to a large extent balanced the imports and exports which provide a natural hedge, the timing difference between imports and exports can result in forex losses.

NCIL is also carrying out sizeable capex to increase its production capacity, which is expected to be funded through internal sources and implemented over the course of FY2026 and FY2027. The company will be exposed to project execution risks and the implementation of the project without major time and cost overrun will remain a key monitorable.

### Key rating drivers and their description

#### Credit Strengths

**Extensive experience of directors and promoters in chemical industry** - The company's management has an experience of nearly three decades in the chemical industry, which has been instrumental in forging relationships with its customers and suppliers. This has also helped diversify NCIL's market reach in the domestic and international markets.

**Improvement in scale of operations** – The company’s scale of operation grew to Rs. 498 crore (Prov) in FY2025 from Rs. 329 crore in FY2022, supported by a healthy demand for its products and the capacity expansion undertaken in FY2024. With the growth in the scale of operations, the profitability has also increased over the years at a healthy pace. Going forward, the planned capacity expansion in the chemical segment will help the scale of operations to rise sharply from FY2028. Meanwhile, the sizeable project execution in the EPC business in FY2026 will also support the growth in the scale of operations.

**Comfortable capital structure and robust coverage indicators** – The company’s capital structure has historically remained healthy as it continues to have limited reliance on bank borrowings. The interest coverage and DSCR stood at 46.26 and 21.78 times, respectively, in FY2025 (Prov) compared with 42.87 times and 15.63 times, respectively, in FY2024 due to an improvement in profitability. The total debt/OPBITDA stood at 0.01 times as on March 31, 2025 (Provisional) compared with 0.85 times as on March 31, 2024. The net debt/OPBITDA remained negative.

### Credit Challenges

**High dependence on creditor funding; however, TOL/TNW remains comfortable** – The company has high dependence on the credit period offered by suppliers for its key raw materials. The working capital requirements are largely funded through creditors with high creditor days of 150 for FY2025 (Prov) (146 days as on March 31, 2024). However, the TOL/TNW remains comfortable at 0.25 times as on March 31, 2025 (Prov) (0.42 times as on March 31, 2024) due to its strong net worth base and low external debt, along with other liabilities.

**Project execution risks** - The company is carrying out a capex of Rs. 95-100 crore over FY2026 and FY2027 to increase the installed capacity at the Jhagadia plant by 10,000 MT by FY2027. This comes on the back of expectations of increased demand for nitrocellulose in both the domestic and export markets. The capex is to be funded from the current cash balance and internal accruals. The company will be exposed to project execution risks and implementation of the expansion plan without major time and cost overrun will be crucial and monitored.

**Volatility in raw material prices and forex fluctuations** – The major raw materials for the company are wood pulp, raw cotton linters and concentrated nitric acid (CAN), comprising 60-65% (Prov) of the total cost. The wood pulp is imported from China, while CNA is procured from Gujarat Narmada Valley Fertilisers & Chemicals (GNFC). Thus, raw material prices remain susceptible to the global demand and supply dynamics. As wood pulp is imported from China, the company is inherently exposed to forex fluctuations although the export of nitrocellulose to European countries provides a natural hedge.

**Elevated competition from imports** – The anti-dumping duty imposed on the import of industrial grade nitrocellulose (10.7%-12.2%) from Thailand, Indonesia and Brazil expired in July 2024. Following this move, the domestic market remains susceptible to the increased inflow of low-priced imports due to excess installed production capacity in these countries.

### Liquidity position: Adequate

NCIL’s liquidity position is adequate with healthy fund flow from operations (FFO) over the last few years, availability of unutilised working capital limits, and cash and bank balance of Rs. 108 crore as on July 24, 2025, which is being held as fixed deposits. While the company has no major repayment obligation, it has capex plans of Rs. 90-100 crore over FY2026-FY2027, which will be funded through internal accruals and cash and bank balance.

### Rating sensitivities

**Positive factors** – ICRA is likely to upgrade NCIL’s rating if the company exhibits a healthy growth in its scale of operations and profitability on a sustained basis, while effectively managing its working capital cycle, leading to an improvement in the financial risk profile and sustaining healthy credit metrics.

**Negative factors** – Pressure on the rating could emerge if there is a significant moderation in the scale of operations or profitability on a sustained basis, or if there is a stretch in the working capital cycle, or if there is a large debt-funded capex that would weaken the liquidity profile or credit metrics.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Chemicals</a>
Parent/Group support	None
Consolidation/Standalone	The rating is based on the standalone financial profile

## About the company

NCIL was established on March 16, 2004 by ACTIS, a private equity organisation promoted by CDC PLC., UK, for taking over the nitrocellulose and trading business of ICI India Limited in a management buyout. As on date, the Lodha Group owns a 99.7% stake in the company through associate group companies, such as Nitrex Mauritius Limited, Sirius Financial Services Private Limited and Rasna Processors Private Limited. NCIL manufactures industrial grade nitrocellulose from wood pulp and bleached cotton linters with nitrogen content in the range of 10.7–12.2%.

Nitrocellulose, a film forming resin, is used in auto refinish paints, wood lacquers, printing inks, leather finishing lacquers, nail varnishes and in other miscellaneous applications. It has two manufacturing units at Valsad (installed capacity of 12,000 MTPA) and Jhagadia (installed capacity of 10,200 MTPA), both in Gujarat. Its registered office is in New Delhi and its corporate office is in Ahmedabad (Gujarat). The company also merged the EPC business in FY2024 which was earlier part of the group company - Jai Hind Projects Limited - and was demerged from the latter.

## Key financial indicators

	FY2023	FY2024	FY2025*
Operating income	456.6	532.0	498.2
PAT	31.2	60.7	63.8
OPBDIT/OI	9.6%	10.2%	12.4%
PAT/OI	6.8%	11.4%	12.8%
Total outside liabilities/Tangible net worth (times)	0.59	0.42	0.25
Total debt/OPBDIT (times)	0.04	0.12	0.00
Interest coverage (times)	81.12	42.87	46.26

Source: Company, ICRA Research; \* Provisional; 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	FY2026			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	July 31, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Export bill discounting facility	Short term	20.00	[ICRA]A2+	18-Apr-2024	[ICRA]A2+	10-Jan-2024	[ICRA]A2; ISSUER NOT COOPERATING	20-Mar-2023	[ICRA]A2
Short term – Interchangeable – Others*	Short term	(20.00)	[ICRA]A2+	18-Apr-2024	[ICRA]A2+	10-Jan-2024	[ICRA]A2; ISSUER NOT COOPERATING	20-Mar-2023	[ICRA]A2

\*Interchangeable with export bill discounting facility

## Complexity level of the rated instruments

Instrument	Complexity indicator
Export bill discounting facility	Very Simple
Short term interchangeable – others*	Simple

\*Sub-limit of export bill discounting facility

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	Export bill discounting facility	NA	NA	NA	20.00	[ICRA]A2+
NA	Short term interchangeable – Others*	NA	NA	NA	(20.00)	[ICRA]A2+

Source: Company, \*Sub-limit of export bill discounting facility

**Annexure II: List of entities considered for consolidated analysis- Not applicable**

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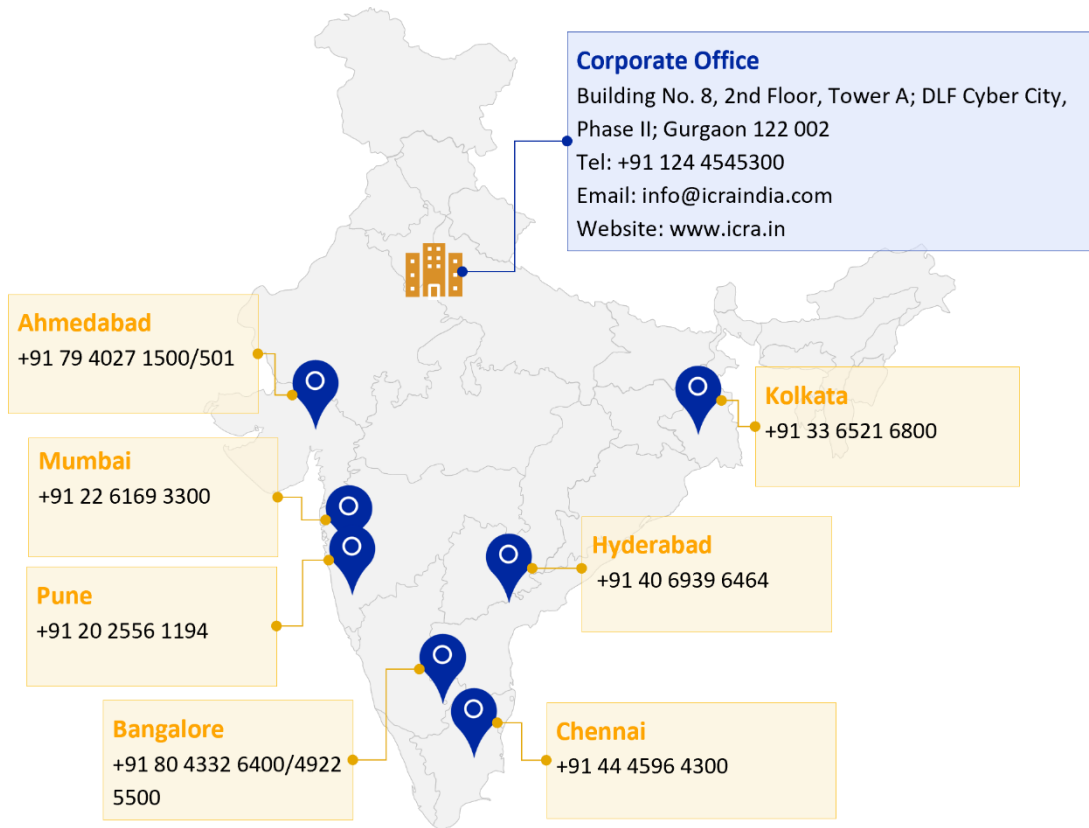


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