

August 27, 2025

Ashapura Perfoclay Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Unallocated - Unallocated	68.00	68.00	[ICRA]BBB- (Stable); reaffirmed
Long-term-Fund based - Cash credit	30.00	30.00	[ICRA]BBB- (Stable); reaffirmed
Short-term – Non-fund based- Others	2.00	2.00	[ICRA]A3; reaffirmed
Total	100.00	100.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation of Ashapura Perfoclay Limited (APL) reflects the company's healthy growth in operating revenue, driven by increased sales volumes to both domestic and international customers, as well as expansion into new markets. The ratings further take comfort from the company's status as one of the leading manufacturers of bleaching earth and easy availability of majority of its raw materials, which the company procures from its Group companies. Moreover, APL's strong financial risk profile, underpinned by a robust capital structure and sound debt protection metrics lends further comfort to the ratings. APL's extensive geographic reach across Southeast Asia, South America, Europe, and West Asia continues to be a strategic advantage, supporting revenue diversification and mitigating market-specific risks. ICRA also notes the company's cost efficiency in freight, owing to the strategic location of its manufacturing facility near bentonite mines and the ports of Kandla and Mundra reflecting in sustained levels of healthy profit margins.

However, the ratings are constrained by APL's limited financial flexibility, stemming from the strained financial position of its JV partner, Ashapura Minechem Limited (AML), which continues to be classified as a non-performing asset (NPA) by its lenders. Further, AML's 50% stake in APL is pledged to its operational creditor, ASQ Connect Limited, exposing APL to the risk of share pledge invocation in the event of non-compliance with the terms of the settlement agreement. Despite a partial natural hedge through imports, APL remains exposed to foreign exchange risk, given that exports contribute 45–50% of its annual sales. The ratings also factor in the company's vulnerability to raw material price volatility, particularly for sulphuric acid, which is a key input in its manufacturing process. Increased loans and advances to Group companies, which stood at Rs. 140.2 as on March 31, 2025, remains a key monitorable as inability to timely receive the same may adversely impact the company's liquidity and overall financial risk profile.

The Stable outlook on the ratings reflects ICRA's opinion that APL will continue to benefit from the steady demand of bleaching earth from the edible oil industry in the near to medium term amid continuous supply of bentonite from Group companies. Further, the company will continue to generate adequate cash flow, supported by steady operating margins strengthening its financial profile in the absence of any major debt-funded capex plans.

Key rating drivers and their description

Credit strengths

Comfortable capital structure and healthy coverage indicators - APL maintains a comfortable financial risk profile, supported by steady internal accruals, a strong capital structure, and healthy coverage metrics. At a consolidated level, the company posted revenue of Rs. 415.3 crore in FY2025 against Rs. 374.5 crore in FY2024, a growth of 10.9% YoY with operating profit margins of 15.9%, led by higher volume sales to new and existing customers in the domestic and export markets. APL's low indebtedness has kept gearing below 1 times and the Total Outside Liabilities (TOL)/Tangible Net Worth (TNW) at 0.1 times as on March 31, 2025. The debt coverage indicators remain robust, with an interest cover of 28.7 times. In FY2025, APL extended unsecured loans amounting to Rs. 140.2 crore to its Group companies, earning interest on these advances and timely receipt of these loans and advance remains a key monitorable.

Geographical diversity in sales – In FY2025, APL's exports accounted for 48% of the total sales, with export contribution consistently ranging at 45–50% over the past five years. The company has a geographically diversified export base, primarily serving markets in Southeast Asia — including Malaysia, Bangladesh, and Sri Lanka—as well as West Asian countries such as the UAE and Dubai.

Leading market position in the bleaching earth segment and clay catalyst - APL is a leading manufacturer of bleaching earth, used primarily in the purification and bleaching of edible oils, as well as a clay catalyst in the petrochemical and oil & gas industries for purifying benzene, toluene, and xylene streams. The company has an installed capacity of 1,92,000 metric tonnes per annum (MTPA), with a capacity utilisation rate of 75–76% in FY2025. With strong demand from the edible oil sector, plant utilisation levels are expected to remain stable over the medium term.

Proximity to bentonite mines and seaports results in freight cost savings - APL's manufacturing facility is strategically located near bentonite mines, a key raw material for bleaching earth, which helps reduce transportation costs. Additionally, its proximity to the ports of Kandla and Mundra offers logistical advantages for export operation.

Credit challenges

Constrained financial flexibility - APL is a 50:50 joint venture between AML and CIF AVL Investment Holding Limited. The weak financial profile of AML, which continues to be classified as a non-performing asset (NPA) by its lenders, remains a key concern and limits APL's financial flexibility. A significant improvement in AML's financial health, thus leading to an improvement in APL's financial flexibility, will be a critical rating monitorable. Additionally, AML's 50% stake in APL is pledged to its operational creditor, ASQ Connect Limited, exposing APL to the risk of share pledge invocation in case of non-compliance with the settlement terms.

Exposure to forex risks – Exports contribute 45–50% to APL's annual revenues. In the absence of a formal hedging mechanism, the company's profit margins remain exposed to fluctuations in foreign exchange rates. However, ICRA notes that APL has not incurred any significant forex losses in recent years.

Exposure to fluctuations in raw material price - Bentonite lumps and sulphuric acid are the primary raw materials used in the production of bleaching earth. While bentonite is sourced from Group companies, sulphuric acid is externally procured. Given the price volatility of sulphuric acid, any sharp increase could adversely impact APL's cost structure and, thus, profit margins.

Liquidity position: Adequate

The company's liquidity position is adequate, supported by healthy cash flow generation and buffer available in the form of undrawn working capital limits of Rs. 30 crore as on March 31, 2025, with negligible utilisation of the working capital limit during the 12-month period ended in June 2025. The liquidity is further supported by the company's free cash and bank balances of Rs. 11.8 crore and Rs. 28 crore, respectively, in mutual fund investments as on March 31, 2025, against which there are marginal debt repayment obligation, nor any significant capex plans in the near term.

Rating sensitivities

Positive factors – The ratings could be upgraded if there is any material improvement in the financial flexibility of its JV owner i.e., AML, evidenced in company's ability to raise funds from banks/financial institutions. Moreover, growth in APL's revenues and profitability, leading to an improvement in the overall financial profile and or liquidity position can also trigger an upgrade.

Negative factors - The ratings can be downgraded in case of a substantial weakening in the earnings of APL, adversely impacting its financial profile. Further, pressure on APL's ratings could emerge in case of an invocation of pledged shares by ASQ Connect Limited or any further large cash outflow to related parties in the form of advance / loans or Inability of the company to recover the same in a timely manner resulting in the weakening of liquidity.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of APL. Refer to the Annexure II for the list of entities considered for consolidation.

About the company

APL was established in 2001 as a 50:50 JV between AML and Volclay International Corporation (VIC). However, in 2014, VIC sold its entire stake to CIF AVL Investment Holding Limited, a Mauritius-based private equity firm. APL manufactures bleaching earth, which finds application in the purification/bleaching of edible oil and as clay catalyst, which is used in the petrochemical and oil and gas sectors for purification of benzene, toluene and xylene stream. Its manufacturing facility is in Bhuj, Gujarat and has an installed capacity of 1,92,000 MTPA. AVPL, a fully-owned subsidiary of APL, is also based in Bhuj, Gujarat and manufactures attapulgate-based bleaching earth, which finds application in purification/bleaching of soft oil such as palm oil, cotton seed oil and sunflower oil, among others.

Key financial indicators (audited)

Consolidated	FY2024	FY2025*
Operating income	374.5	415.3
PAT	51.0	45.7
OPBDITA/OI (%)	21.6%	15.9%
PAT/OI (%)	13.6%	11.0%
Total outside liabilities/Tangible net worth (times)	0.2	0.1
Total debt/OPBDITA (times)	0.3	0.0
Interest coverage (times)	35.2	28.7

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. crore. PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortization, *Provisional numbers

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)	Aug 27, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund based-Cash Credit	Long-term	30.00	[ICRA]BBB-(Stable)	May 14, 2024	[ICRA]BBB-(Stable)	-	-	Mar 24, 2023	[ICRA]BBB-(Stable)
Unallocated-Unallocated	Long-term	68.00	[ICRA]BBB-(Stable)	May 14, 2024	[ICRA]BBB-(Stable)	-	-	Mar 24, 2023	[ICRA]BBB-(Stable)
Non-Fund Based-Others	Short-term	2.00	[ICRA]A3	May 14, 2024	[ICRA]A3	-	-	Mar 24, 2023	[ICRA]A3

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term-Fund based-Cash credit	Simple
Short-term-Non-fund based-Others	Very Simple
Long-term-Unallocated-Unallocated	NA

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/sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	Cash Credit	-	-	-	30.00	[ICRA]BBB-(Stable)
NA	Unallocated Limits	-	-	-	68.00	[ICRA]BBB-(Stable)
NA	Short-term Non-Fund Based Limits	-	-	-	2.00	[ICRA]A3

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Ashapura Perfoclay Limited	Rated Entity	Full consolidation
APL Valueclay Private Limited	Subsidiary	Full consolidation

Source: Company

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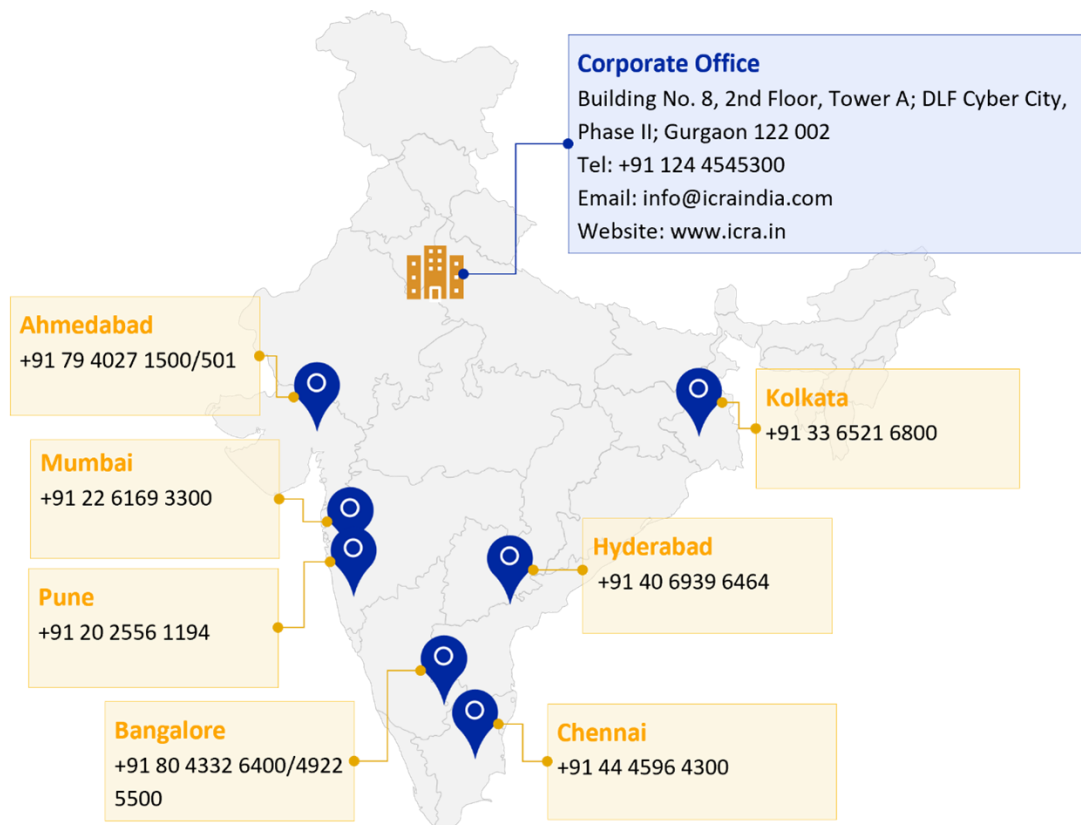
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