September 04, 2025

CDET Explosive Industries Private 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	22.50	22.50	[ICRA]A- (Positive); reaffirmed
Long term fund based – Term loan	9.34	9.34	[ICRA]A- (Positive); reaffirmed
Short term non-fund based: Interchangeable	(20.00)	(20.00)	[ICRA]A2+; reaffirmed
Long term - Unallocated limits	23.16	23.16	[ICRA]A- (Positive); reaffirmed
Total	**55.00**	**55.00**	

**Instrument details are provided in Annexure I*

Rationale

For arriving at the ratings, ICRA has considered the consolidated financials of CDET Explosive Industries Private Limited (CDET/the company) and its subsidiaries as enumerated in Annexure II due to the corporate guarantees extended by the company to the latter and the strong operational (common line of business) and managerial linkages between the company and its subsidiaries.

The ratings draw comfort from the extensive experience of the company's promoters in the detonators and explosives manufacturing business, its well-established and diversified customer base with presence in both the domestic and international markets, the healthy capitalisation and coverage indicators and a strong liquidity position. The ratings also note the high entry barriers in CDET's business with stringent monitoring and licensing requirements, which limit the entry of new players and, thereby, the competition.

The ratings, however, continue to be constrained by the moderate scale of operations, although there has been growth in the recent period. The vulnerability of the company's profitability to a sharp volatility in raw material prices, mainly metals and chemicals, and the rising share of revenues from the lower-margin cartridge explosives segment may impact the profitability in the near term. The company is also going through a change in the product mix with revenue growth dependent on a ramp-up of new products in the detonator segment.

Further, the ratings continue to be constrained by the regulatory risks associated with the explosives industry. ICRA notes that the industry is prone to accidents, despite compliance with all the mandated safety requirements owing to the nature of its products and the raw materials used.

The Positive outlook on the rating reflects ICRA's expectation that the healthy demand for the company's products will continue to support its cash flows, going forward, which should lead to an improvement in the overall credit profile.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters and established presence in manufacturing of detonators and explosives – CDET is promoted by the Rathi family, with over two decades of experience in the detonators and explosives manufacturing industry. The company was established in 1998 and has two group concerns, Commercial Explosives (India) Private Limited (manufacturing safety fuses) and Raja Explosives Private Limited (REPL; manufacturing cartridge explosives) that are engaged in the same business sector.

Healthy financial risk profile – The company's credit metrics remained healthy with nil debt and modest interest costs at both the standalone and consolidated level. At a standalone level, in FY2025, the interest coverage indicator was at 87.2 times compared to 94.7 times in FY2024 on the back of a moderation in OPBITDA. At a consolidated level, the interest coverage indicators improved to 57.2 times in FY2025 from 41.5 times in FY2024, while during FY2025 the ICR further improved to 67.6 times, as per the estimated FY2025 numbers. The working capital borrowings as on March 31, 2025 stood at Rs. 12 crore, as per the provisional financials, while remaining nil for REPL as it has marginal requirement. Thus, at a consolidated level, the credit profile is expected to remain healthy with the TD/OPBDITA being around 0.1x and the TOL/TNW at 0.1-0.2x.

Geographic diversification with presence in domestic and export markets; well-diversified and established customer base – Exports constituted 13% of the company's total sales in FY2025. The exports are well-diversified across various countries. The company tries to maintain a level of diversification, with the top five customers accounting for 41% of the total sales during 8M FY2025 and the share of the top 10 customers also remains between 45% and 55%.

High entry barriers in explosives business, thereby limiting competition – The industrial explosives industry in India is highly regulated by the Government, given the nature of the products, leading to high entry barriers and restrictions on new players and, thereby, any competition. This has benefitted existing players, with the industry at present being dominated by the top 7-8 players.

Credit challenges

Moderate albeit improving scale of operations – The company's scale of operations remains moderate as the consolidated revenue moderated by 10% to Rs. 415.3 crore in FY2024 from Rs. 466.2 crore in FY2023 on the back of subdued realisations, in line with the softening of raw material prices which was partially offset by the growth in the sales volumes.

Vulnerability of profitability to raw materials and changes in product mix towards low-margin products - The company's major raw materials are pentaerythritol tetranitrate (PETN), ammonium nitrate, aluminium strips, copper wire, galvanised iron (GI) wires, PVC compound, etc. As most of its raw materials are metals and derivatives of oil and gas, the profitability remains vulnerable to the adverse movement in prices. Further, increase in sales from the relatively low-margin explosives segment, going forward, might result in some moderation in CDET's operating profit margins from the current levels.

Unsecured advances to unrelated parties– CEIPL has advanced Rs. 11.3 crore (Provisional) as on March 31, 2025. These are advances to some real estate developers at its home location – Nagpur - for the purchase of office space to one of the builders. The company had previously spent Rs. 8-9 crore for office space, which is now being reconsidered due to location concerns. However, the company has not witnessed any major instances of bad debt from these in the last three years.

Exposed to regulatory risks - The explosives industry is heavily regulated, exposing the company's operations to regulatory risks. The nature of the products and their usages are prone to abuse not only in India, but globally, which makes the industry highly sensitive and vulnerable. The Petroleum and Explosives Safety Organisation under the Government of India, located in Nagpur, Maharashtra, is the licensing authority for overseeing the safety of the hazardous materials produced and marketed by the industry. Given the nature of the products and the hazardous raw materials, the vulnerability to accidents is high, despite compliance with all the mandated safety requirements.

Liquidity position: Strong

CDET's liquidity position is strong, supported by healthy cash and liquid investments of around Rs. 123.9 crore (provisional), as on March 31, 2025, and partially utilised working capital fund based limits of Rs. 22.5 crore as on March 31, 2025. The consolidated cash accruals are expected to remain healthy, against nil repayment obligations and no major capex plans. The liquidity position is expected to remain strong with an expected growth in the scale of operations, moderate working capital intensity and no major capex plans.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company is able to maintain healthy profitability levels along with healthy capitalisation and coverage metrics.

Negative factors – The outlook may be revised to Stable in a scenario of significant moderation in the scale and profitability going forward. The ratings may also be downgraded if a higher-than-anticipated debt-funded capex or a further stretch in the working capital leads to weakening of the debt coverage metrics and/or moderation in liquidity position.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of CDET (refer to Annexure II)

About the company

CDET explosive Industries Private Limited, incorporated in 1998, is promoted by Mr. Ashok Rathi and family. The company is engaged in the manufacturing of detonators (a device used to trigger explosives) and explosives. CDET has a manufacturing unit in Wardha (Maharashtra) with an installed capacity of ~100 million units for detonators and 30,000 MTPA for cartridge explosives and bulk explosives each. The five main types of detonators manufactured are plain detonators, instantaneous electric detonators, delay electric detonators and non-electric detonators used primarily in the mining and infrastructure sectors. CDET has a licensed capacity to manufacture 200 million detonators per annum and 60,000 MTPA of explosives.

Key financial indicators (audited)

Consolidated	FY2023	FY2024
Operating income	466.2	415.3
PAT	65.8	69.1
OPBDITA/OI (%)	20.8%	24.3%
PAT/OI (%)	14.1%	16.6%
Total outside liabilities/Tangible net worth (times)	0.4	0.2
Total debt/OPBDITA (times)	0.3	0.0
Interest coverage (times)	41.4	57.2

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 amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current rating (FY2026)			Chronology of rating history for the past 3 years							
				FY2026		FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	September 04, 2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund based - Cash credit	Long term	22.50	[ICRA]A-(Positive)	-	-	Jun 28, 2024	[ICRA]A-(Positive)	-	-	Mar 31, 2023	[ICRA]A-(Stable)
Fund based - Term loan	Long term	9.34	[ICRA]A-(Positive)	-	-	Jun 28, 2024	[ICRA]A-(Positive)	-	-	Mar 31, 2023	[ICRA]A-(Stable)
Unallocated - Unallocated	Long term	23.16	[ICRA]A-(Positive)	-	-	Jun 28, 2024	[ICRA]A-(Positive)	-	-	Mar 31, 2023	[ICRA]A-(Stable)
Interchangeable - Others	Short term	(20.00)	[ICRA]A2+	-	-	Jun 28, 2024	[ICRA]A2+	-	-	Mar 31, 2023	[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term: Fund based cash credit	Simple
Long term: Fund based term loan	Simple
Short term: Interchangeable	Very Simple
Long term: Unallocated limits	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	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Cash credit	NA	NA	NA	22.50	[ICRA]A- (Positive)
NA	Term loan	FY18 – FY22	9.40%	FY25 – FY27	9.34	[ICRA]A- (Positive)
NA	Non-fund based interchangeable	NA	NA	NA	(20.00)	[ICRA]A2+
NA	Unallocated limits	NA	NA	NA	23.16	[ICRA]A- (Positive)

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	CDET ownership	Consolidation approach
CDET Explosives Industries Private Limited	100.00% (rated entity)	Full consolidation
Raja Explosives Private Limited	50.01%	Full consolidation
Chamundi Power Controls Private Limited	69.39%	Full consolidation

Source: Company

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ABOUT ICRA LIMITED

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