

September 30, 2025

Aether Industries Limited: Ratings reaffirmed; outlook on long-term rating revised to Positive from Stable; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund based - Cash credit/PCFC	246.00	296.00	[ICRA]A+ (Positive); reaffirmed/assigned for enhanced amount and outlook to be revised to Positive from Stable
Short term – Non-fund based – (Interchangeable) letter of credit/Bank guarantee	(246.00)	(296.00)	[ICRA]A1; reaffirmed and assigned for enhanced amount
Total	246.00	296.00	

*Instrument details are provided in Annexure I

Rationale

The outlook in the revision of the long-term rating for the bank lines of Aether Industries Limited (AIL) to positive reflects ICRA's expectations of sustained revenue growth and a stable and healthy operating profit margin, along with a steady improvement in the working capital cycle, going forward. The company has reported steady revenue growth while consistently maintaining operating margins in the range of 25–29% over the past few years (FY2024 being an exception which was impacted by a fire incident), supported by its well-differentiated product portfolio within the specialty chemicals segment.

AIL operates in three broad segments – large scale manufacturing, contract/exclusive manufacturing and contract research and manufacturing services (CRAMs), which are synergistic and offer a wide bouquet to the customers. While the working capital intensity of the business remains high owing to elevated receivables and inventory levels, ICRA expects the same to witness steady moderation with a likely increase in the proportion of contract manufacturing and CRAMs business which involve relatively lower working capital.

The ratings continue to derive strength from AIL's established track record in the specialty chemicals industry, the extensive experience of its promoters, and its robust research and development (R&D) capabilities. The company's diversified product mix and broad customer base, which includes reputed entities across both domestic and export markets, further enhances its business risk profile. ICRA also notes the new tie-ups announced by the company with reputed counterparties for a few products, which in addition to the addition of new products are likely to provide a thrust to the operating income as well as profit generation.

ICRA notes that AIL maintains a leadership position in select specialty chemical products. Over the past two years, it has raised substantial equity to support the growth and capex, enabling full debt repayment and strengthening its capital structure.

Further, in FY2026, AIL completed an offer for sale (OFS) to bring down the promoter shareholding within the prescribed norms. However, earlier this was expected to be a qualified institutional placement (QIP), which would have resulted in inflow of capital in the company needed for the capex, thereby keeping the capital structure strong. AIL is executing major capex across manufacturing and R&D, funded by internal accruals, existing cash balances, and external and promoter loans, depending on the cash flow position. This proposed debt addition along with the funding of the elevated working capital requirements with debt is likely to result in some moderation in the debt metrics, although the debt metrics will continue to be healthy. A timely completion of the planned capex within estimated costs and scaling up of the capacity utilisation will remain the key monitorables. ICRA also notes that the sustained capex and elevated working capital intensity has depressed the return metrics, marked by a return on capital employed of around 10% for FY2025.

While the company's performance is susceptible to the volatility in raw material prices and foreign exchange rates, its ability to pass on the input cost fluctuations to some extent mitigates the risk. The company also remains exposed to foreign currency exchange fluctuations as well as changes in the regulatory environment.

Moreover, the ratings remain constrained by the elevated working capital intensity of operations, which in a high-growth scenario, results in a blockage of sizeable capital for the company. While the working capital intensity has moderated in the current fiscal and is structurally expected to moderate further, the sustenance of the same remains to be seen.

The Positive outlook reflects ICRA's opinion that while the company will be able to expand the scale while maintaining healthy profitability, an improvement in the working capital intensity will aid the credit profile even as the capex will remain elevated.

Key rating drivers and their description

Credit strengths

Established market presence and long-standing relationships with a diversified customer base - AIL's products find application across diverse end-user industries such as pharmaceuticals, agrochemicals, material sciences, coatings, high performance photography, additives, and oil & gas. It has an established market position due to its long-term relationships with customers like UPL Limited, Bajaj Healthcare Limited, Polaroid Film GmbH & Polaroid Film BV, Sun Pharmaceutical Industries Limited and others. Continuous R&D has helped the company manufacture products using multiple chemistries and technologies, thus diversifying its product portfolio and end-user industries and contributing materially to the revenue growth. Further, for many of its key products, AIL is the only large-scale manufacturer in India, which gives it a competitive advantage over other players and strengthens its market position. The business risk profile is expected to improve over the medium term, supported by growth in revenues and sustained operating margins.

Differentiated portfolio of market-leading products - As on March 31, 2025, AIL's portfolio comprises over 29 products which were marketed to over 50 global customers in 18 countries and to over 220 domestic customers. It is the sole manufacturer in India and the largest manufacturer in the world by volume for certain products, which reflects its leadership position in the industry. It has announced new tie-ups/associations with companies like Baker Hughes, SEQENS Group, Saudi Aramco Technologies Company, Novoloop, Milliken etc. These tie-ups indicate the company's strong R&D and product development capabilities.

Strong R&D capabilities - AIL's in-house R&D capabilities are the cornerstone of its innovation and market leadership, enabling the company to develop and scale products independently. Its specialised team and advanced facilities support both its product pipeline and CRAMS customers, creating high entry barriers for competitors. All the products are developed, scaled, and launched using AIL's own resources, highlighting its technical strength. The ongoing investments in R&D infrastructure ensure AIL remains at the forefront of chemistry and technology-driven solutions.

Strong and consistent financial performance, led by healthy profitability and comfortable credit metrics - Aether Industries demonstrated a strong operational performance in FY2025, driven by volume growth and diversification into new end-user segments; this momentum sustained in Q1 FY2026. The company's capital structure remains robust, with zero long-term debt as on March 31, 2025. The company prepaid the borrowings using IPO proceeds, leading to low gearing and healthy debt protection metrics. While the leverage is expected to rise moderately as the company undertakes capex funded by promoter and bank loans, the projected debt coverage ratios are expected to remain comfortable, supported by stable operating cash flows.

Credit challenges

High working capital intensity due to elevated inventory and receivable levels - The working capital intensity has remained high owing to the elevated receivables and inventory levels. While the raw material inventory has reduced to some extent largely due to increase in domestic procurement, the work-in progress (WIP) inventory remains elevated due to complex multi-step manufacturing processes, especially for products like methoxyethyl phenol (MEP) with up to 16 stages. Although the

debtor days have improved to some extent, the overall working capital cycle still remains elevated. The company aims to bring this down by process optimisation, yield improvements, and a shift toward contract manufacturing, which offers more favourable inventory and payment cycles. The CM segment offers debtor days of 45-60 days with low inventory as well. A declining proportion of LSM will help reduce the working capital intensity. However, this remains to be seen.

Consistently elevated capex; to be partly debt funded, which can moderate credit metrics to some extent – AIL is executing a large capex programme, with over Rs. 1,200 crore invested in gross blocks as of March 2025. AIL has capex plans of Rs. 300-500 crore annually over the next 2-4 years focused on capacity expansion, new customer contracts and renewable energy projects. This will be funded through internal accruals, earlier QIP proceeds and promoter loans, and a likely term debt post FY2027. While the leverage is expected to rise, the debt coverage metrics remain strong and are projected to stay adequate, supported by a healthy operating performance. The latest round of promoter equity dilution, which was earlier planned as QIP, materialised as an offer for sale, and is likely to moderate the capital structure.

Exposure to foreign exchange and raw material price volatility - AIL's margins remain vulnerable to the volatility in raw material prices for key intermediates and chemicals. Exports stand at around 37-38%. Imports have significantly declined from 40% in the previous year to about 15%, due to increased domestic sourcing, except for select raw materials where the international pricing is more favourable. China accounts for only 7-8% of the total imports, with the rest coming from regions like Europe and Japan. Further, the company does not engage in any foreign currency hedging as it is a net exporter and has a natural hedging for the imports.

Environmental and social risks

Environmental considerations - The industry in which the company operates and the products it deals with involves the handling of hazardous and inflammable materials. The company has ensured that the required process control, safety equipment and infrastructure are in place, as per the global safety standards. These risks are somewhat mitigated by the company's track record of environmental compliance and strong operational capabilities. Further, all of its plants are zero liquid discharge. Also, the company has installed a 16-MW solar power plant and plans to enhance the renewable power capacity to fulfil its entire captive power requirements.

Social considerations - The company is also exposed to social risks related to responsible production, human capital, health, and safety issues.

Liquidity position: Adequate

AIL's liquidity position is expected to remain adequate with cash balances of around Rs. 249.24 crore as on March 31, 2025, largely earmarked for the capex and a cushion in working capital limits (average cushion of ~Rs. 267 crore against drawing power over the last 12 months). ICRA notes that the company is undertaking significant capex, which will be funded through internal accruals, and promoter/external debt, and existing cash balances. Further, considering the high working capital intensity, the working capital requirements are also expected to remain elevated, although the intensity is expected to decline.

Rating sensitivities

Positive factors – The rating could be upgraded in case of a significant scale-up in the company's revenues and earnings along with a material improvement in the working capital cycle.

Negative factors – The outlook could be revised to Stable if there is a sustained pressure on AIL's revenue and profitability and inability of the company to improve its working capital cycle. Moreover, further elongation in the working capital intensity will have an adverse impact on the company's liquidity position and trigger a downward rating revision.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology - Chemicals
Parent/Group support	Not applicable
Consolidation/Standalone	Consolidated. For arriving at the ratings, ICRA has combined the business and financial risk profiles of Aether Industries Limited (AIL) and its wholly-owned subsidiary, Aether Speciality Chemicals Limited, as the entities are owned and managed by the same promoters and are involved in related sectors

About the company

AIL is a specialty chemical manufacturer in India focused on producing advanced intermediates and specialty chemicals involving complex and differentiated chemistry and technological core competencies. The business was started in 2013 with a vision to create a niche in the global chemical industry and have a creative approach towards chemistry, technology and systems that would lead to sustainable growth. In the first phase of the development through fiscal 2017, the company focused on building the team, infrastructure and the R&D centred around building the core competencies.

Key financial indicators (audited)

AIL (consolidated)	FY2024	FY2025	Q1 FY2026
Operating income	599.5	840.5	256.1
PAT	82.5	158.4	47.0
OPBDIT/OI	22.3%	28.9%	31.5%
PAT/OI	13.8%	18.8%	18.4%
Total outside liabilities/Tangible net worth (times)	0.2	0.2	-
Total debt/OPBDIT (times)	1.4	0.8	-
Interest coverage (times)	15.7	18.8	-

Source: Company, ICRA Research; 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

Current (FY2026)					Chronology of rating history for the past 3 years					
FY2026					FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash credit/PCFC	Long term	296.00	Sep 30, 2025	[ICRA]A+ (Positive)	Jan 10, 2025	[ICRA]A+ (Stable)	Dec 06, 2023	[ICRA]A+; rating watch with negative implications	-	-
					Apr 10, 2024	[ICRA]A+ (Stable)	Oct 04, 2023	[ICRA]A+ (Stable)	-	-
Interchangeable - Letter of credit/Bank guarantee	Short term	(296.00)	Sep 30, 2025	[ICRA]A1	Jan 10, 2025	[ICRA]A1	-	-	-	-
LC/BG	Short term	-	-	-	Apr 10, 2024	[ICRA]A1	Dec 06, 2023	[ICRA]A1; rating watch with negative implications	-	-
							Oct 04, 2023	[ICRA]A1	-	-
Fund based /Non-fund based	Long term/ Short term	-	-	-	Apr 10, 2024	[ICRA]A+ (Stable)/ [ICRA]A1	Dec 06, 2023	[ICRA]A+; rating watch with negative implications/[ICRA]A1; rating watch with negative implications	-	-
							Oct 04, 2023	[ICRA]A+ (Stable)/ [ICRA]A1	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based - Cash credit/PCFC	Simple
Short term – Non-fund based – (Interchangeable) letter of credit/Bank guarantee	Very Simple

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	Long term - Fund based - Cash credit/PCFC	NA	NA	NA	296.00	[ICRA]A+ (Positive)
NA	Short term – Non-fund based – (Interchangeable) letter of credit/Bank guarantee	NA	NA	NA	(296.00)	[ICRA]A1

Source: Company

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Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Aether Speciality Chemicals Limited	100.00%	Full consolidation

Source: Company

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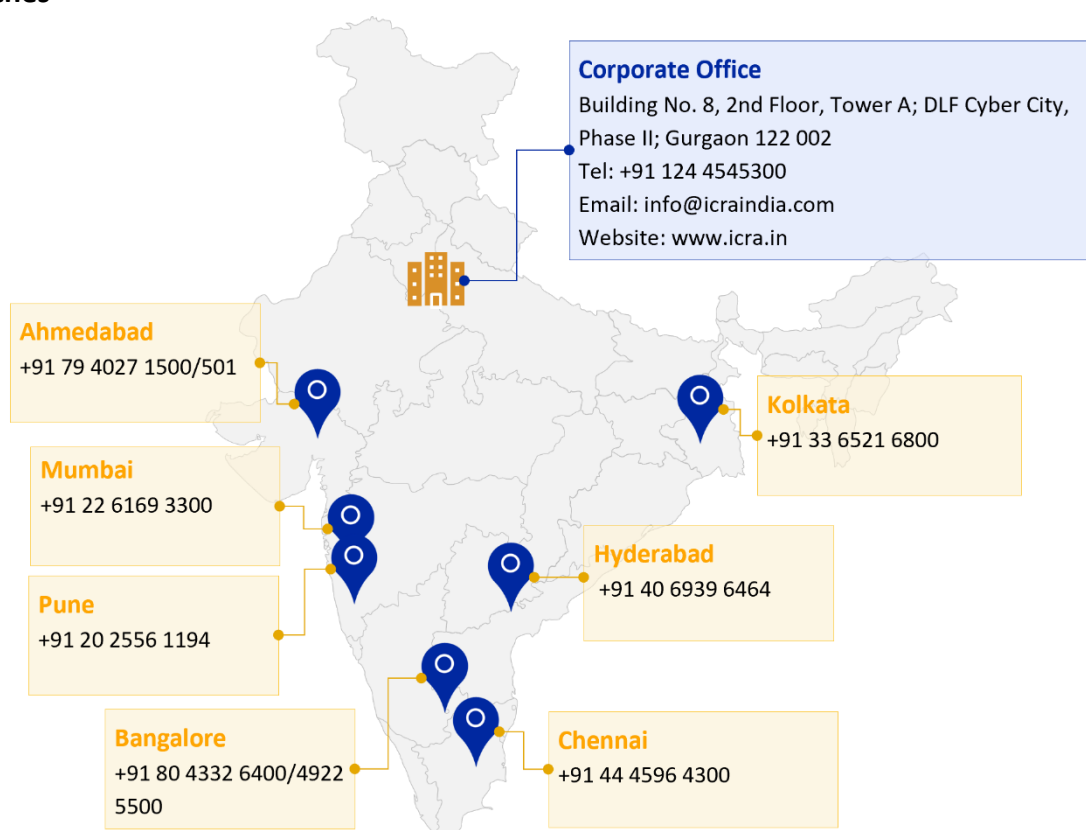
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