October 07, 2025

Ultramarine and Pigments Ltd: Ratings reaffirmed; 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	1.00	1.00	[ICRA]A+(Stable); reaffirmed
Short term – Non-fund based facilities	0.00	15.00	[ICRA]A1+; reaffirmed/assigned for enhanced limits
Short term – Fund based limits	5.00	0.00	-
Long term – Fund based - Term loan	26.73	16.60	[ICRA]A+(Stable); reaffirmed
Long term/Short term – Fund based/Non-fund based facilities	0.00	5.00	[ICRA]A+(Stable)/[ICRA]A1+; reaffirmed/assigned for enhanced limits
Total	**32.73**	**37.60**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of the ratings takes into consideration Ultramarine and Pigments Ltd's (UPL) established track record as a manufacturer of ultramarine blue pigments and surfactants. Further, the company has long-standing relationships with its customers. The ratings also factor in a strong financial risk profile and healthy revenues in FY2025. Further, the capital structure remains comfortable with low debt levels and healthy coverage indicators.

The ratings, however, are constrained by product concentration risk in the pigment segment as the company manufactures majorly a single product– ultramarine blue. While the company is making efforts to develop new products, a successful induction and market development of such products leading to a meaningful diversification of the revenue stream remains to be seen. The company's profitability is exposed to the fluctuation in raw material prices. The profitability is further exposed to forex risks because of the significant exports. However, the impact is minimised to an extent by natural hedging as a part of the raw material is imported.

The Stable outlook on the rating reflects ICRA's expectation that UPL is likely to sustain its operating metrics with its strong market position and experience in pigment manufacturing. Further, the outlook underlines ICRA's expectation that the entity's incremental capex to further expand the capacity will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Extensive experience and presence in ultramarine blue pigment industry – UPL commenced operations in 1961 and is one of the largest manufacturers of ultramarine blue pigments in India. Ultramarine blue pigment has diverse application with the high-grade pigments used in industries such as plastics, paints, coatings, cosmetics, food, detergents, etc. The lower grade pigments are primarily used for whitewashing and laundry applications. The pigment segment has limited geographical and customer concentration risks due to its significant presence in the export market and an established customer base in the domestic market.

Established presence and long-standing customer relationship in surfactant industry - UPL is among the key suppliers of surfactants to detergent manufacturers, including some of the large multinational FMCG players, in South India. The company has been catering to these large FMCG participants over the years and its established relationship has aided in maintaining a steady growth in revenues in this segment.

Healthy financial risk profile - The operating income improved to Rs. 694.7 crore in FY2025 owing to higher realisations across products as the volumes increased year-on-year. The capital structure is comfortable, characterised by a gearing of 0.1 times as on March 31, 2025, owing to a healthy net worth position and relatively low reliance on external debt. The coverage indicators remain comfortable, reflected in an interest coverage of 16.4 times in FY2025 and 19.0 times in Q1 FY2026, owing to the low interest expense and healthy operating profits.

Credit challenges

High product concentration in pigment segment - UPL's operation in the pigment segment is characterised by low product diversification and competition from global players. Its revenue from this segment is primarily dependent on ultramarine blue pigments with limited revenue from other pigments. While the company is making efforts to develop new products, a successful induction and market development of such products for a meaningful diversification of the revenue stream remains to be seen. The low value addition in the surfactant segment and intense competition restricts the company's pricing flexibility. The end-user product for the segment – detergents – is a consumer commodity with low demand growth. Hence, its scope for improving the scale of operations and profitability remains limited, despite the increasing preference of its products.

Vulnerability of profitability to adverse fluctuation in raw material prices and forex – The company's profitability is exposed to the fluctuation in raw material prices. This is reflected in the moderation in operating profitability over the last few years owing to high raw material prices and increased revenue contribution from surfactants, which are low-margin products. The operating margins declined to 17-18% in the last four years (FY2022 to FY2025) from 23-25% (FY2019 to FY2021). The profitability is further exposed to forex risks as the company exports its products to the US, Korea and the European market. However, the impact is minimised to an extent by natural hedging as a part of the raw material is imported from the US and other countries. The company's exports to the US remains moderate in the range of 5-8% of the total revenues and the tariff hike is not expected to have a major impact on the company's performance.

Environmental and social risks

Given the safety and environmental health-related concerns associated with chemicals, the industry is exposed to the risk of tightening regulatory norms for the production, handling, disposal and transportation of chemical products. Further, in the event of accidents, the litigation risks and the liabilities for a clean-up could be high. While UPL has a demonstrated track record of running its operations safely, the nature of the risk (being low frequency-high impact) weighs on its rating.

Further, operating responsibly is an imperative and instances of non-compliance with environmental, health and safety norms could have an adverse impact on the local community which could manifest in the form of protests, constraining the ability to operate or the expand capacity. UPL hasn't experienced/reported any incident suggestive of safety lapses at its manufacturing facilities over the past several years and its ability to maintain the manufacturing controls would be a monitorable.

Liquidity position: Strong

The company had an external term loan of Rs. 85.79 crore as on March 31, 2025, of which ~Rs. 18.87 crore is to be repaid within the year. Its free cash flows have primarily resulted in positive cash accretion, which has been invested in mutual funds. The liquidity position remains strong with cash and liquid investments of Rs. 74.23 crore as on March 31, 2025. It also has a comfortable buffer in working capital limits from the banks, which remain unutilised.

Rating sensitivities

Positive factors – ICRA may upgrade the ratings if the company demonstrates a significant improvement in its scale and profitability indicators while maintaining a comfortable capital structure, and healthy coverage indicators and liquidity position.

Negative factors – Pressure on the ratings could emerge if there is a sustained decline in revenue and profitability, or a stretch in the working capital cycle, which along with the large debt-funded capex/investments, would weaken the credit profile. A specific credit metric for downgrade includes TD/OPBDITA of more than 1.8 times on a sustained basis.

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 UPL. The details of the consolidation are provided in Annexure II

About the company

Ultramarine & Pigments, established in 1960, has its manufacturing facilities at Ambattur (Chennai), Ranipet (North Arcot, Tamil Nadu) and Naidupeta, Andhra Pradesh. It is one of the major manufacturers of ultramarine blue pigments and surfactants in India. The company also manufactures detergent powder/liquid (under the brand name OOB) and other inorganic pigments in a smaller scale. Besides, it has an ITeS/BPO division with specialisation in content management, publishing, hospital billing services, etc. UPL also earns a small revenue from its windmill division. It has a capacity of 9,715 MTPA in the pigment segment and 62,000 MTPA in the surfactant segment. The company incorporated a wholly-owned subsidiary, Ultramarine Speciality Chemicals Limited, in December 2019 to expand its pigment production. The production facility commenced operations in August 2022.

Key financial indicators (audited)

UPL Consolidated	FY2024	FY2025	Q1FY2026
Operating income	560.7	694.7	184.4
PAT	57.6	75.0	20.2
OPBDIT/OI	16.9%	17.2%	17.2%
PAT/OI	10.3%	10.8%	14.4%
Total outside liabilities/Tangible net worth (times)	0.2	0.2	
Total debt/OPBDIT (times)	0.8	0.8	
Interest coverage (times)	13.1	16.4	19.0

*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

	Current rating (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Oct 07, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Fund based	Long term	1.00	[ICRA]A+ (Stable)	23-Aug-24	[ICRA]A+ (Stable)	12-May-23	[ICRA]A+ (Stable)	29-Apr-22	[ICRA]A+ (Stable)
Non-fund based	Short term	15.00	[ICRA]A1+	-	-	12-May-23	[ICRA]A1+	29-Apr-22	[ICRA]A1+
Unallocated	Long term	-	-	-	-	12-May-23	-	29-Apr-22	[ICRA]A+ (Stable)
Term loans	Long term	16.6	[ICRA]A+ (Stable)	23-Aug-24	[ICRA]A+ (Stable)	12-May-23	[ICRA]A+ (Stable)	29-Apr-22	-
Fund based	Short term	-	-	23-Aug-24	[ICRA]A1+	12-May-23	[ICRA]A1+	29-Apr-22	-
Fund based and non-fund based	Long term and short term	5.00	[ICRA]A+ (Stable)/ [ICRA]A1+	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term fund based – Term loan	Simple
Long term fund based working capital facilities	Simple
Short term non-fund based facilities	Very Simple
Long term/Short term – Fund based/Non-fund based limits	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/Short term fund based/non-fund based working capital facilities**	NA	NA	NA	5.00	[ICRA]A+(Stable)/[ICRA]A1+
NA	**Term loans**	Dec 2019	8.4%	June 2028	16.60	[ICRA]A+(Stable)
NA	**Long term – Fund based working capital facilities**	NA	NA	NA	1.00	[ICRA]A+(Stable)
NA	**Short term – Non-fund based working capital facilities**	NA	NA	NA	15.00	[ICRA]A1+

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	UPL ownership	Consolidation approach
Ultramarine Specialty Chemicals Limited	100.00%	Full consolidation

Source: UPL annual report FY2025

Note: ICRA has taken a consolidated view of the parent (UPL) and its subsidiaries while assigning the ratings.

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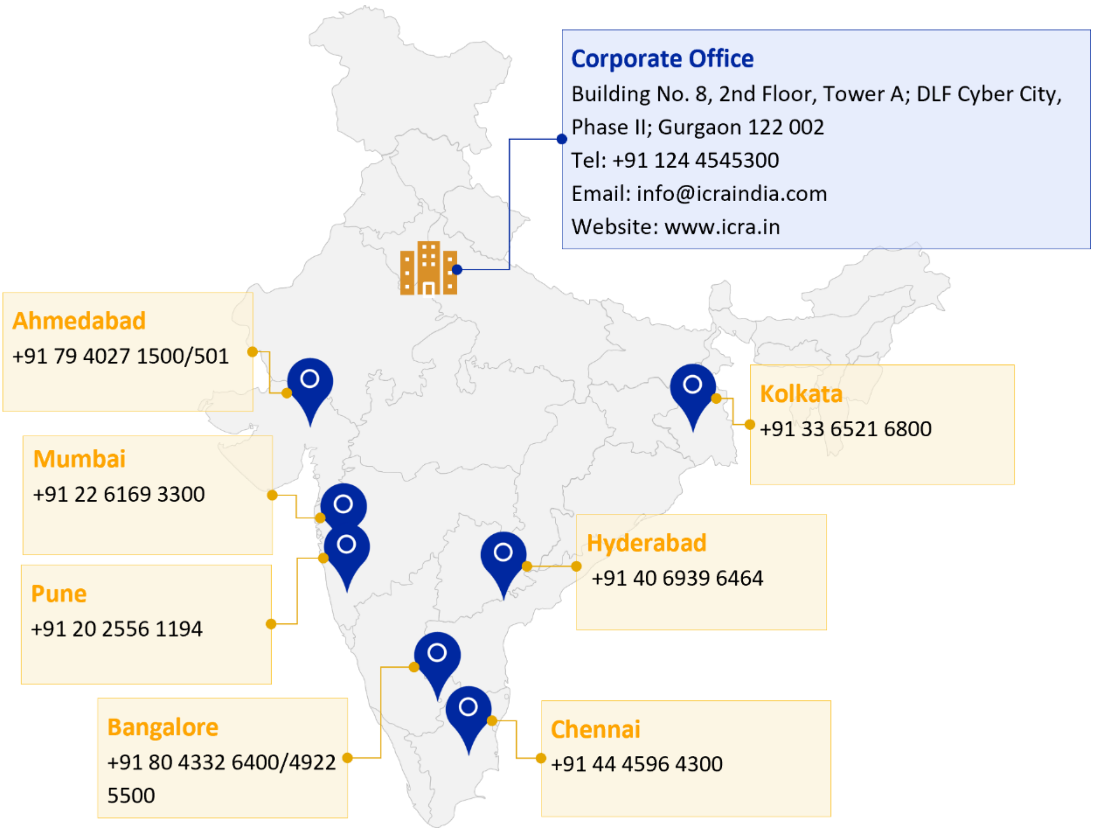

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