

January 30, 2026

Vaighai Chemical Industries Limited: Ratings placed on watch with developing implications

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term- Fund based - Cash credit	20.00	21.40	[ICRA]BBB-; placed on watch with developing implications
Long term- Fund based - WC DL	2.00	0.60	[ICRA]BBB-; placed on watch with developing implications
Long term - Fund based - Term loans	9.40	9.40	[ICRA]BBB-; placed on watch with developing implications
Short term – Non fund based facility	17.00	17.00	[ICRA]A3; placed on watch with developing implications
Long term/ Short term - Unallocated	0.39	0.39	[ICRA]BBB-; placed on watch with developing implications / [ICRA]A3; placed on watch with developing implications
Total	48.79	48.79	

*Instrument details are provided in Annexure-I

Rationale

The ratings of Vaighai Chemical Industries Limited (VCIL) have been placed on watch with developing implications, given the filing of a scheme of arrangement (hereinafter referred to as “the scheme”) with the National Company Law Tribunal (NCLT) for, inter alia, the proposed merger of Vaighai Agro Products Limited (VAPL, a group entity of VCIL with common management) with VCIL. Upon implementation of the scheme, VAPL will cease to exist and VCIL will be the sole resultant company. The scheme is pending approval from the NCLT and is subject to requisite statutory and regulatory approvals, which are expected over the next 6-9 months, as informed by the management. ICRA would continue to monitor the developments in this regard and take appropriate rating action once further clarity emerges on the merger and the impact on the business and financial risk profile of VCIL is known after implementation of the scheme.

Notwithstanding the above, the ratings favourably consider the expected gradual improvement in sales volumes of VCIL over the near-to-medium term, driven by the upgradation of its plant undertaken in FY2025 and FY2026. The company’s revenues declined by about 9.5% to about Rs. 81.8 crore in FY2025, primarily attributable to moderation in price realisation amid stabilisation of raw material prices. Further, VCIL’s operating profit margin (OPM) moderated to about 10.6% in FY2025 from about 11.8% in FY2024, primarily due to a decline in scale and higher power costs. The company’s earnings are expected to improve gradually from FY2026, supported by the anticipated increase in sales volumes and better production efficiencies. Further, the ratings continue to factor in VCIL’s established market position as a manufacturer of potassium chlorate and the promoters’ experience of over three decades in the industry. The ratings also draw comfort from the company’s steady financial profile, characterised by a comfortable capital structure and an adequate liquidity position.

The ratings are, however, constrained by VCIL’s modest scale of operations, subdued domestic demand, and high product concentration. The company’s product portfolio comprises a single product, potassium chlorate, resulting in high product concentration risk and restricting operational flexibility. Further, the company imports its key raw material, potassium chloride, from a few suppliers, which exposes it to high supplier concentration risk. VCIL’s profitability remains vulnerable to fluctuations in raw material prices and foreign exchange rates. ICRA also notes that loans and advances were extended to the group entity, VAPL, in FY2024 and FY2025; any considerable increase in such advances in the future would adversely impact VCIL’s liquidity profile and will remain a key monitorable.

Key rating drivers and their description

Credit strengths

Extensive experience in potassium chlorate manufacturing – VCIL, established in 1980, is a part of the larger Vaighai Group and, manufactures potassium chlorate. The promoters have over three decades of experience in the industry.

Established market position in a niche product segment – VCIL is one of the major manufacturers of potassium chlorate in the domestic market. Its established market position and presence in a niche product segment support pricing flexibility to some extent. Besides, the company has established relationships with its customers, which ensure repeat business.

Comfortable capital structure and coverage metrics – VCIL's financial profile remains comfortable, characterised by a conservative capital structure, supported by its healthy net worth and moderate dependence on external debt. Key metrics, including total debt/TNW and TOL/TNW, stood at 0.3 times and 0.5 times, respectively, as on March 31, 2025. Further, supported by steady earnings, the key debt coverage indicators remained adequate, with interest coverage of 5.8 times in FY2025 and total debt/OPBDITA of 2.1 times, respectively, as on March 31, 2025. The capital structure is expected to remain comfortable despite the debt-funded capex undertaken in FY2025 and FY2026, owing to steady accretion of reserves.

Credit challenges

Moderate scale of operations and limited ability to scale up in the domestic market – VCIL's scale remained moderate, with an operating income (OI) of around Rs. 81.8 crore in FY2025, limiting the economies of scale. Growth in the domestic market has been limited by the market size and competition from other domestic players. As the company's ability to scale up its revenues significantly in the domestic market is limited, VCIL has been increasing its focus on export markets.

High product concentration risk – VCIL has been deriving its entire revenue from a single product, potassium chlorate. This results in high product concentration risk for the company, restricting its operational flexibility to a large extent. Further, the company imports its key raw material, potassium chloride, from a few suppliers, which also exposes it to high supplier concentration risk.

Exposure to forex fluctuations – VCIL derived 35-40% of its total sales from exports during FY2023-FY2025, exposing its margins to volatility in foreign exchange rates in the absence of a formal hedging policy. However, the company enjoys a natural hedge to some extent, as it imports its entire potassium chloride requirement from Germany, the UAE and Jordan, etc.

Liquidity position: Adequate

VCIL's liquidity is expected to remain adequate, supported by the buffer available in working capital limits and steady cash accruals. The average utilisation of fund-based working capital limits stood at around 62% of the sanctioned limits during December 2024 to November 2025. VCIL has undertaken plant modernisation and capacity expansion at a project cost of around Rs. 12 crore during FY2025-FY2026, which was funded through a term loan of Rs. 9.4 crore, with the balance met through internal accruals. Against these sources, the company has repayment obligations of about Rs. 2.2 crore each in FY2026 and FY2027. Going forward, ICRA expects VCIL to be able to meet its near-term commitments comfortably through internal accruals.

Rating sensitivities

Positive factors – The ratings watch will be resolved upon implementation of the proposed scheme of merger and as greater clarity emerges on the transaction. While uncertainty around the merger process may continue for an extended period, it does not preclude the possibility of a rating upgrade if the standalone company demonstrates a significant improvement in revenues and earnings, leading to a healthy improvement in its credit profile and liquidity position on a sustained basis.

Negative factors – The ratings watch will be resolved upon implementation of the proposed scheme of merger and as greater clarity emerges on the transaction. Pressure on VCIL’s ratings may arise if there is a sustained decline in profitability or weakening of coverage metrics. The ratings may also be downgraded if there is a stretch in the working capital cycle and/or an increase in loans and advances to group companies that would impact VCIL’s liquidity profile. A specific credit metric for downgrade would be total debt/OPBDITA increasing to more than 3.0 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	The ratings are based on the standalone financial profile of the company.

About the company

VCIL was incorporated in 1980 and was later converted into a public limited company in 2001. VCIL was established by Mr. K. Periasamy Nadar, Mr. S. S. V. Chellakani Nadar and Mr. S. Varadarajan. It manufactures match-grade potassium chlorate, catering to domestic as well as overseas customers. Its manufacturing facility is at Karaikkal, Puducherry, with an installed capacity of 9,000 metric tonnes per annum (MTPA). The company has gas-based power plants with a capacity of 7.2 MW for captive power requirements. The company belongs to the Madurai-based Vaighai Group of Companies, which was established in 1980.

VAPL was established in October 2009 through the demerger of the rice bran oil division of VCIL. VAPL is engaged in the processing of crude rice bran oil (RBO) and de-oiled rice bran (DRB) through the solvent extraction process. The company has three manufacturing facilities, one each in Namakkal, Madurai and Tirunelveli, with an aggregate installed capacity of 3,00,000 MTPA. The RBO produced is either sold to refineries for further processing or to poultry farms, while DRB is sold entirely to poultry farms.

Key financial indicators (audited)

VCIL (standalone)*	FY2024	FY2025
Operating income	90.4	81.8
PAT	6.3	5.1
OPBDITA/OI	11.8%	10.6%
PAT/OI	7.0%	6.3%
Total outside liabilities/Tangible net worth (times)	0.5	0.5
Total debt/OPBDITA (times)	1.5	2.1
Interest coverage (times)	8.2	5.8

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

*Due to the unavailability of VAPL’s latest financial performance and uncertainty regarding the merger completion timeline, ICRA has considered the only VCIL’s standalone financials for the current rating exercise

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current ratings (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Jan 30, 2026	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund based - Cash credit	Long term	21.40	[ICRA]BBB-Rating Watch with Developing Implications	Oct 30, 2024	[ICRA]BBB-(Stable)	Oct 27, 2023	[ICRA]BBB-(Stable)	Aug 12, 2022	[ICRA]BBB-(Stable)
Fund based-Term loans	Long term	9.40	[ICRA]BBB-Rating Watch with Developing Implications	Oct 30, 2024	[ICRA]BBB-(Stable)	Oct 27, 2023	[ICRA]BBB-(Stable)	Aug 12, 2022	[ICRA]BBB-(Stable)
Fund based-Working capital demand loan	Long term	0.60	[ICRA]BBB-Rating Watch with Developing Implications	Oct 30, 2024	[ICRA]BBB-(Stable)	-	-	-	-
Non fund based	Short term	17.00	[ICRA]A3 Rating Watch with Developing Implications	Oct 30, 2024	[ICRA]A3	Oct 27, 2023	[ICRA]A3	Aug 12, 2022	[ICRA]A3
Unallocated limits	Long term/Short term	0.39	[ICRA]BBB-Rating Watch with Developing Implications / [ICRA]A3 Rating Watch with Developing Implications	Oct 30, 2024	[ICRA]BBB-(Stable)/[ICRA]A3	-	-	-	-
Interchangeable limits	Long term	-	-	-	-	Oct 27, 2023	[ICRA]BBB-(Stable)	Aug 12, 2022	[ICRA]BBB-(Stable)
Unallocated limits	Long term	-	-	-	-	Oct 27, 2023	[ICRA]BBB-(Stable)	Aug 12, 2022	[ICRA]BBB-(Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based – Cash credit	Simple
Long term – Fund based – WCDL	Simple
Long term – Fund based – Term loans	Simple
Short term – Non fund based – Others	Simple
Long term/Short term – Unallocated	Not applicable

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	21.40	[ICRA]BBB-; rating watch with developing implications
NA	Term loan	FY2025	NA	FY2030	9.40	[ICRA]BBB-; rating watch with developing implications
NA	Letter of credit	NA	NA	NA	16.50	[ICRA]A3; rating watch with developing implications
NA	LER	NA	NA	NA	0.50	[ICRA]A3; rating watch with developing implications
NA	WCDL	NA	NA	NA	0.60	[ICRA]BBB-; rating watch with developing implications
NA	Unallocated	NA	NA	NA	0.39	[ICRA]BBB- rating watch with developing implications / [ICRA]A3 rating watch with developing implications

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

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

ANALYST CONTACTS

Jitin Makkar

+91 124 4545368

jitinm@icraindia.com

Uday Kumar

+91 124 4545 867

uday.kumar@icraindia.com

Vilasagaram Nandakishore

+91 40 6939 6407

vilasagaram.nandakishore@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

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ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



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