February 05, 2026

# The Andhra Petrochemicals Limited: Long-term rating downgraded, short-term rating reaffirmed; outlook remains Negative

## Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|---|---|---|---|
| **Long term – Fund based – Working capital facilities** | 35.00 | 35.00 | [ICRA]BBB+(Negative); downgraded from [ICRA]A-(Negative) |
| **Short term – Non-fund based – Working capital facilities** | 2.00 | 2.00 | [ICRA]A2+; reaffirmed |
| **Long term – Unallocated limits** | 57.18 | 57.18 | [ICRA]BBB+(Negative); downgraded from [ICRA]A-(Negative) |
| **Total** | **94.18** | **94.18** | |

**Instrument details are provided in Annexure I*

## Rationale

The rating downgrade factors in a subdued performance of The Andhra Petrochemicals Limited (APL) in 9M FY2026 and the weaker-than-expected performance anticipated for FY2026, driven by weak realisations, resulting in compressed margins. The operating margins declined in FY2025 and 9M FY2026 as the spread between oxo-alcohols and feedstock narrowed owing to a decline in product prices. The pressure on the margins is expected to continue in the near term. The performance was further impacted by the shutdown of the company's sole manufacturing facility from October 29, 2025, to February 03, 2026. While the plant was initially shut for planned maintenance, the shutdown was subsequently prolonged owing to unremunerative realisations for oxo-alcohols amid a surge in low-priced imports.

The ratings remain constrained by the exposure of APL's profitability to the fluctuation in the spread between oxo-alcohols and feedstock. Moreover, APL is exposed to force majeure risk because of its dependence on a single supplier (HPCL) for the key raw material, propylene. However, ICRA notes that in the last three years, in times of requirement and healthy margins, the company procured the raw material from BPCL-Kochi and Gas Authority of India Limited (GAIL)-Pata, though at a higher cost, which provides some diversification.

The ratings continue to factor in APL's established track record in manufacturing oxo-alcohols in India and its financial risk profile characterised by a healthy capital structure. The company's long-term debt is nil, and its working capital utilisation is minimal. The liquidity profile has remained strong with healthy cash & cash equivalents and investments totaling ~Rs. 317.1 crore as on September 30, 2025, including liquid investments of Rs. 75.11 crore.

ICRA also notes that the company benefits from the trade protection measures, such as the anti-dumping duty (ADD) imposed on several countries for the import of NBA and 2EH, and the duopoly in the domestic oxo-alcohol market with Bharat Petroleum Corporation Limited (BPCL) being the other player. ICRA further notes that APL is a part of The Andhra Sugars Group.

The company's earlier proposed sizeable capex plans to set up facilities for the production of value-added products have been put on hold until there is a sustained improvement in the global scenario. The company has minimal capex plans in the near term, to be funded by internal accruals.

The Negative outlook on APL's long-term rating reflects the pricing pressure on its products owing to excess supply and low demand globally for oxo-alcohols.

## Key rating drivers and their description

### Credit strengths

**Duopoly in oxo-alcohol market in India; favourable long-term demand outlook for various end user sectors -** APL was the sole producer of oxo-alcohols in India till March 2021. The domestic capacity for oxo-alcohols increased with BPCL setting up a manufacturing facility that became operational in April 2021. IOCL also started the production of N-Butanol around February-March 2025. APL's products are mainly used by the domestic manufacturers of di-octyle phthalate (DOP), which is used as a plasticiser to manufacture polyvinyl chloride (PVC) compounding. The long-term demand potential for PVC compounding in India remains favourable.

**Healthy capital structure –** The capital structure remains healthy with no long-term debt as on September 30, 2025 and minimal working capital debt utilisation levels in FY2025 and 9MFY2026. The gearing is comfortable at 0.2 times as on March 31, 2025 and remains at 0.2 times as on September 30, 2025. A major debt portion is lease liabilities.

**Promoted by ASL; around six decades of operating history of Group –** APL is a part of The Andhra Sugars Group. The flagship entity, The Andhra Sugars Limited (ASL; rated [ICRA]A+(Stable)/[ICRA]A1+), has around six decades of operating history and a strong credit profile.

### Credit challenges

**Weak profitability; margins remain susceptible to volatility in spread between oxo-alcohols and feedstock –** The operating margins were impacted and slipped into the negative in FY2025 and 9M FY2026 from 10.7% in FY2024 as cheaper imports pulled down the product prices and narrowed the spread between oxo-alcohols and feedstock. Since Q2 FY2025, the margins have declined, culminating in (-)4.6% for FY2025. The spread was at Rs. 10,703/MT in Q1 FY2026 and Rs. 16,257/MT in FY2025, down from Rs. 27,620/MT in FY2024 and Rs. 26,356/MT in FY2023. APL is a standalone manufacturer without backward-integration benefits and its margins are susceptible to the volatility in global prices (spread between product and feedstock prices), intense competition from imports, changes in duty structure/trade protection measures such as ADD, the import pattern of the end-user segments and substitute products. ICRA also notes the cost control measures adopted in the last few years, the ADD on imports and other favourable regulatory measures, which will mitigate the impact of volatility in the spread to some extent.

**Vulnerable to force majeure risk with high dependence on a single feedstock supplier –** APL is dependent on a single source, HPCL, for the supply of its key feedstock, propylene. The company's operations are periodically impacted by the disruption in feedstock supplies, resulting in lower capacity utilisation. The company has been able to achieve some supplier diversification in the last three years by procuring propylene from BPCL's refinery at Kochi and naphtha from GAIL-Pata. Although the cost of procurement from BPCL and GAIL is higher due to the freight cost, it will partly mitigate the supplier concentration risk.

## Environmental and Social Risks

Given the safety and environmental 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 clean-up could be high. While APL has a demonstrated track record of running its operations safely, the nature of the risk (being low frequency-high impact) weighs on its ratings.

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 company's ability to operate or expand the capacity. APL 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. The company follows strong safety practices in the plant and has received various awards from the National Safety Council towards the same.

## Liquidity position: Strong

The company's liquidity profile has been strong, supported by healthy cash and cash equivalents and investments totalling ~Rs. 317.1 crore, including liquid investments of Rs. 75.11 crore, and an additional undrawn working capital limit of Rs. 34 crore as on September 30, 2025. The company's liquidity position is expected to remain strong due to the expected positive cash accruals and nil debt repayments.

## Rating sensitivities

**Positive factors –** A rating upgrade is unlikely in the near term owing to the Negative outlook. However, the outlook could be revised to Stable if the company improves its profitability while maintaining healthy capital structure, coverage indicators and liquidity.

**Negative factors –** Pressure on the ratings could arise if there is an inability to improve its profitability. Any major debt-funded capital expenditure, or a stretch in the working capital cycle weakening the liquidity will also impact the ratings.

## Analytical approach

| Analytical Approach | Comments |
|---|---|
| **Applicable rating methodologies** | Corporate Credit Rating Methodology<br>Rating Methodology - Chemicals |
| **Parent/Group support** | Not Applicable |
| **Consolidation/Standalone** | The ratings are based on the standalone financials of the company |

## About the company

The Andhra Petrochemicals Limited (APL), promoted by ASL, was incorporated on April 18, 1984. At present, APL, BPCL and IOCL are the producers of oxo-alcohols in India. APL has a manufacturing capacity of 73,000 tonnes per annum (TPA). The product mix includes 2EH, NBA and isobutanol (IBA). Oxo-alcohol is primarily used as a raw material to manufacture PVC plasticisers. It commenced operations from February 1994. APL's factory is located adjacent to HPCL's Visakhapatnam refinery, with which it has entered into a long-term contract to procure propylene, the key raw material in the manufacturing process.

### Key financial indicators (audited)

| APL Standalone | FY2024 | FY2025 | 9MFY2026* |
|---|---|---|---|
| **Operating income** | 788.7 | 501.9 | 376.5 |
| **PAT** | 63.4 | -18.1 | -17.0 |
| **OPBDIT/OI** | 10.7% | -4.6% | -5.7% |
| **PAT/OI** | 8.0% | -3.6% | -4.5% |
| **Total outside liabilities/Tangible net worth (times)** | 0.3 | 0.3 | - |
| **Total debt/OPBDIT (times)** | 1.0 | -3.7 | - |
| **Interest coverage (times)** | 9.8 | -2.5 | -3.3 |

*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; *results*

### 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** |
| **Fund based – Working capital facilities** | Long term | 35.00 | **Aug 18, 2025** | **[ICRA]A- (Negative)** | **Sep 12, 2024** | **[ICRA]A- (Stable)** | **Aug 04, 2023** | **[ICRA]A- (Stable)** | **Jun 22, 2022** | **[ICRA]A- (Stable)** |
| | | | **Feb 05, 2026** | **[ICRA]BBB+ (Negative)** | | | | | | |
| **Non-fund based – Working capital facilities** | Short term | 2.00 | **Aug 18, 2025** | **[ICRA]A2+** | **Sep 12, 2024** | **[ICRA]A2+** | **Aug 04, 2023** | **[ICRA]A2+** | **Jun 22, 2022** | **[ICRA]A2+** |
| | | | **Feb 05, 2026** | **[ICRA]A2+** | | | | | | |
| **Unallocated limits** | Long term | 57.18 | **Aug 18, 2025** | **[ICRA]A- (Negative)** | **Sep 12, 2024** | **[ICRA]A- (Stable)** | **Aug 04, 2023** | **[ICRA]A- (Stable)** | **Jun 22, 2022** | **[ICRA]A- (Stable)** |
| | | | **Feb 05, 2026** | **[ICRA]BBB+ (Negative)** | | | | | | |

## Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|---|
| **Long term – Fund based – Working capital facilities** | Simple |
| **Short term – Non-fund based – Working capital facilities** | Simple |
| **Long term – Unallocated limits** | 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 | 35.00 | [ICRA]BBB+ (Negative) |
| NA | Letter of credit/Bank guarantee | NA | NA | NA | 2.00 | [ICRA]A2+ |
| NA | Unallocated limits | NA | NA | NA | 57.18 | [ICRA]BBB+ (Negative) |

*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

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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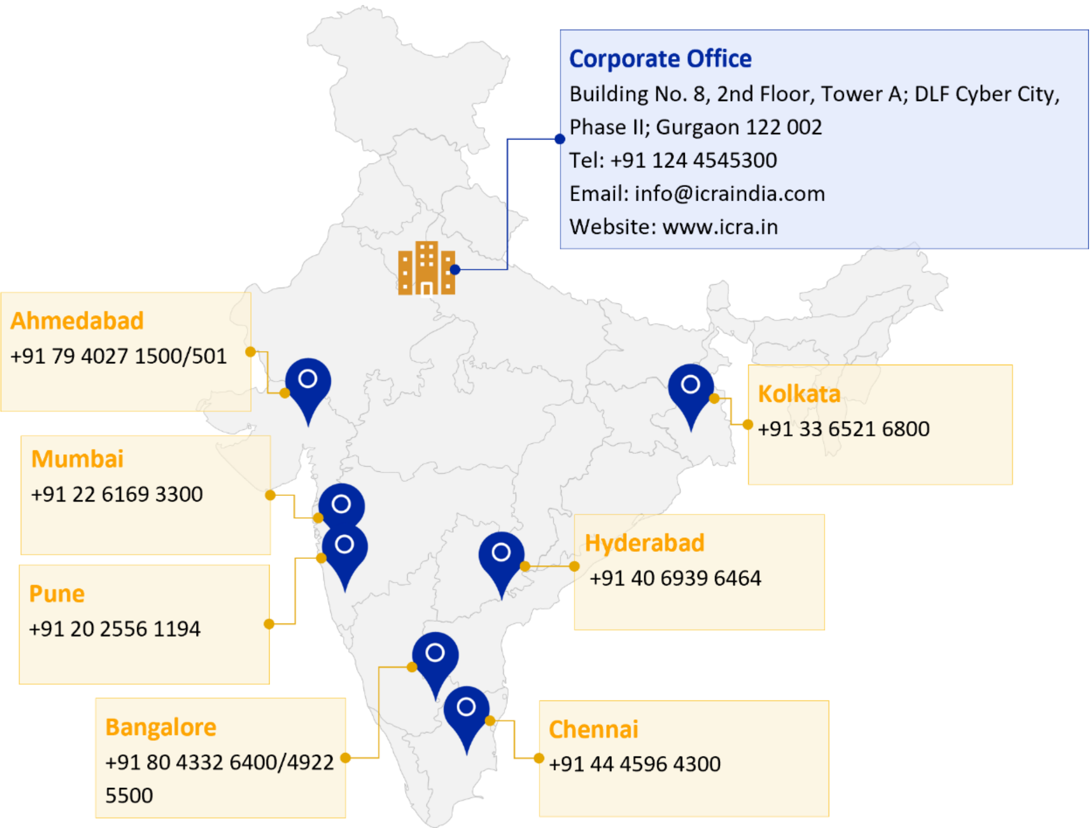




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