May 15, 2026

Panama Petrochem Ltd: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Fund-based – Cash credit	6.00	6.00	[ICRA]A+ (Stable); reaffirmed
Non-fund based – Letter of credit	118.00	118.00	[ICRA]A1+; reaffirmed
Total	**124.00**	**124.00**	

**Instrument details are provided in Annexure II*

Rationale

The rating reaffirmation factors in the established track record of Panama Petrochem Limited (PPL/ the company) in the white oil and allied oil business and its strong customer base along with healthy relationships with reputed companies across multiple industries. The company benefited from a well-diversified product portfolio, catering to cosmetics, inks, rubber, textiles, transformers and industrial lubricants, which mitigated the risk of a demand slowdown in any single segment and supported healthy, volume-led growth during FY2025 and 9M FY2026.

The ratings favourably consider PPL's diverse manufacturing presence with four manufacturing units in India, located strategically to cater to different industrial clients for different kinds of oil. Further, the company has a manufacturing unit at Ras AI Khaimah, the UAE, under its wholly-owned subsidiary, Panol Industries RMC, FZE (Panol), which enjoys proximity to the base oil suppliers in West Asia and caters to the demand for its products in the region. Exports continue to contribute a sizeable share of consolidated revenues in FY2025 and 9M FY2026, underpinning scale and diversification.

Further, the ratings factor in PPL's comfortable financial risk profile, characterised by strong growth in operating income in FY2025, driven primarily by volumetric expansion and improved contribution from Panol, along with healthy operating cash accruals and limited reliance on external debt. Operating margins and return metrics have moderated from their earlier peak levels due to sharp movements in crude-linked base oil prices, elevated freight costs and lagged price pass-through under the M-1 pricing mechanism. Despite these pressures, profitability remained broadly stable at current levels during FY2025 and 9M FY2026, thereby supporting the company's overall credit profile. PPL follows a conservative forex hedging policy, which mitigates currency volatility to an extent, though some earnings sensitivity remains, especially in the current scenario of heightened of foreign exchange (forex) volatility.

The company's capital structure remains comfortable, with low leverage and strong coverage indicators, supported by internal accrual-funded capex and disciplined financial management. Major planned capex stands largely completed, providing headroom for capacity-led growth over the medium term without putting pressure on the balance sheet.

The ratings are, however, constrained by the company's exposure to volatility in base oil prices, logistics costs and forex movements, which have intensified in recent months due to heightened geopolitical tensions in West Asia. These developments have led to sharp movements in crude prices, base oil prices, elevated freight costs and short-term demand disruptions, particularly affecting customer ordering behaviour. The management expects near-term demand softness, driven by sharp increases in base oil prices and inventory stocking by customers amid supply uncertainties, which is likely to result in a more pronounced impact on revenues and profitability during Q4 FY2026 and into FY2027, given the lag in price pass-through and the presence of fixed-price contracts. Additionally, the company remains exposed to competition from both organised and unorganised players. While PPL maintains prudent inventory management, sharp adverse movements in base oil prices could lead to temporary inventory-related risks; however, the impact is expected to be manageable over the medium term, supported by pricing pass-through mechanisms (with a lag), diversified end-use exposure and established customer relationships.

The Stable outlook on the long-term rating reflects ICRA's opinion that PPL's cash flow from operations will remain comfortable, supported by its diversified product profile and established customer relationships. While revenue growth and profitability are likely to be impacted in Q4 FY2026 and FY2027 by the ongoing West Asia conflict and associated volatility in crude-linked inputs and supply chains, the company's modest capex requirements, conservative hedging practices and comfortable capital structure with strong coverage indicators are expected to limit reliance on debt and support credit stability as operating conditions normalise. However, ICRA will continue to monitor the ability of the company to pass on price increases to its customers across end-user segments and the overall impact of the price volatility on its operating margins in the light of ongoing geopolitical developments.

Key rating drivers and their description

Credit strengths

Established track record in white oil business – The company is an established player in the liquid paraffin/white oil business with more than 35 years of experience. It manufactures over 80 variants of petrochemicals across multiple industries. Since PPL serves diverse industries, it protects itself against the downturns in any specific, end-user sector.

Healthy financial risk profile – At a consolidated level, PPL reported healthy revenue growth in FY2025 and continued its stable performance in 9M FY2026, driven largely by volume expansion and improved contribution from its subsidiary, Panol. Consolidated operating income rose to Rs. 2,792.9 crore in FY2025 from Rs. 2,356.7 crore in FY2024, while operating income stood at Rs. 2,241.5 crore in 9M FY2026, which was higher than FY2025 on an annualised basis, indicating that demand remained broadly stable for most of the year. However, operating profitability moderated over this period, with OPBDITA margins declining to about 9.0% in FY2025 and further to around 8.2% in 9M FY2026, reflecting normalisation from the elevated post-Covid margins, sharp volatility in crude-linked base oil prices, higher freight costs and lagged price pass-through under the M-1 pricing mechanism. Despite the moderation in margins, the company's capital structure and coverage indicators remained comfortable, with Total Debt/TNW at around 0.03x and interest coverage at 13.9x in FY2025, improving to 20.9x in 9M FY2026, supported by healthy operating cash accruals. The reported debt continues to largely comprise lease liabilities, with no material long-term borrowings; and PPL's financial profile remains resilient, despite near-term margin pressures from crude and base oil price volatility and geopolitical developments.

Reputed clientele and geographical diversification of revenues – The company continues to benefit from a strong and well-diversified customer profile of large domestic and international FMCG players such as Dabur and Marico, along with reputed customers in the textile, ink and tyre segments, with enduring relationships with several key clients. The diversified end-use exposure has supported stable demand through FY2025 and 9M FY2026, mitigating the risk of demand slowdown in any single end-user industry. PPL's revenues also remain geographically diversified—with exports accounting for around 30–35% of its standalone sales—across Africa, East Asia, South America and Europe, while it maintains a presence in West Asia through its UAE subsidiary, Panol. In addition, PPL has a pan-India manufacturing and distribution footprint, with increasing focus on expanding its reach in eastern and southern India. The diversified customer base and geographic spread continue to provide resilience to the business model by reducing dependence on any single market or customer segment, despite near-term volatility from geopolitical developments.

Manufacturing units strategically located to cater to different end-user industries – PPL has four manufacturing units in India, one each at Ankleshwar and Dahej in Gujarat, at Taloja in Maharashtra, and in Daman (UT). The strategic location of its plants helps it to service specific industrial clusters. For instance, the company's facility at Taloja is close to the port and is used for most of its exports. Further, it has a wholly-owned subsidiary with a manufacturing unit at Ras Al Khaimah, the UAE. This unit has the advantage of being close to base oil suppliers in West Asia as well as to PPL's customers in the region, specifically the GCC and MENA regions, along with a few customers in southern India, thus helping save on logistics costs. During Q4 FY2026, operations at the UAE facility faced limited disruption from the heightened geopolitical tensions in the region and temporary disruptions in movement through the Strait of Hormuz, leading to a marginal impact on utilisation and sales. However, operations were largely sustained through alternative routing, continued local supplies and regional dispatches, and the overall impact is expected to remain manageable, with gradual normalisation anticipated as geopolitical conditions stabilise.

Credit challenges

Vulnerability of profits to forex fluctuation; sensitivity to base oil prices – The company remains exposed to volatility in crude-linked base oil prices; and while the M-1 pricing mechanism enables eventual pass-through, the one-month lag along with around 50% contracts being fixed-price can result in temporary margin pressures during sharp price movements, particularly in Q4 FY2026 and FY2027. On the forex front, a natural hedge of over 50% from exports and partial hedging through forward contracts mitigates the volatility.

High competition in industry – The company's operations are exposed to competition from other established players, a few of whom have a higher scale of operations. ICRA notes that low entry barriers and limited product diversification have led to intense competition in the base oil processing industry. Companies mostly focus on volume, which leads to competitive pricing.

Moderately high working capital intensity – PPL's operations remain working-capital intensive, driven by inventory holding and receivable requirements inherent to its diversified product mix and import-linked raw material profile. While management initiatives have helped moderate intensity in recent periods, working capital requirements remain sensitive to logistics timelines, supplier credit terms and price volatility, despite partial mitigation through LC-backed supplier credit. The current situation has led to uncertainty, resulting in demands for stricter payment terms including advance payments from suppliers, which could bring about higher working capital requirements in the interim.

Environmental and social risks

PPL's products are crude oil derivatives. Hence, the products may come under scrutiny amid the growing calls for decarbonisation; though the company does not face any such risk at present. It is working towards developing new products using the non-hydrocarbon route; although their commercialisation is expected to take some more time.

PPL's exposure to social risks mainly pertain to safe operations and compliance with all environmental regulations to ensure the safety of its employees and the local communities around its manufacturing units. ICRA does not expect any material impact of the ESG risk on the company's credit profit in the near to medium term.

Liquidity position: Strong

PPL's liquidity profile is expected to remain strong, supported by a healthy cash flow from operations and low utilisation of its working capital limits. Further, it has no long-term debt repayment obligations. Further, its consolidated cash and bank balance was Rs. 144.33 crore as on September 30, 2025. The cash flow from operations are expected to remain in the range of Rs. 100-120 crore for FY2026, which should be more than adequate to meet the company's near-term capex requirements. The same will also provide cushion against any large working capital requirements, on a consolidated basis.

Rating sensitivities

Positive factors – The ratings may be upgraded if the company is able to increase its scale of operations, profitability and cash accruals on a sustained basis, while maintaining a strong liquidity position and healthy credit metrics.

Negative factors – The ratings can be downgraded if the company's scale of operations or profitability declines on a sustained basis. Any stretch in the working capital cycle that would weaken the liquidity position and moderate the debt coverage metrics on a consistent basis could also lead to a downgrade.

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 financial profile of Panama Petrochem Limited, along with its wholly-owned subsidiary, which is listed in Annexure III.

About the company

Incorporated in 1982, Panama Petrochem Ltd. is a manufacturer and exporter of over 80 variants of speciality petrochemicals. The company's key products include liquid paraffin oils (white oils), petroleum jelly, and transformer oil. The company has four manufacturing units within the country, one each at Ankleshwar (Gujarat), Dahej (Gujarat), Taloja (Maharashtra) and Daman. PPL's products are used across six to seven broad industries, such as printing ink, cosmetics, pharmaceuticals, rubber, resin, engineering and chemicals. The company also has a manufacturing presence in West Asia through its wholly-owned subsidiary, Panol Industries RMC, FZE, at Ras Al Khaimah, the UAE.

Key financial indicators (audited)

PPL Consolidated	FY2024	FY2025	9MFY2026
Operating income	2,356.7	2,792.9	2,241.5
PAT	195.2	187.0	141.4
OPBDIT/OI	10.8%	9.0%	8.2%
PAT/OI	8.3%	6.7%	6.3%
Total outside liabilities/Tangible net worth (times)	0.3	0.2	-
Total debt/OPBDIT (times)	0.1	0.1	-
Interest coverage (times)	14.1	13.9	20.9

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 (FY2027)		Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	May 15, 2026	Date	Rating	Date	Rating	Date	Rating
Cash credit – Fund-based	Long-term	6.00	[ICRA]A+ (stable)	-	-	Feb 21, 2025	[ICRA]A+ (stable)	Nov 28, 2023	[ICRA]A+ (stable)
Others – Non-fund based	Short-term	118.00	[ICRA]A1+	-	-	Feb 21, 2025	[ICRA]A1+	Nov 28, 2023	[ICRA]A1+

Annexure I: Disclosure pursuant to the SEBI Circular SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10,2026

ICRA-rated instruments fall under the regulatory purview of various Financial Sector Regulators (FSRs), as under:

Sr. No.	Instrument	FSR
1	Listed/Proposed to be listed Bonds/Debentures/Preference Shares (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	SEBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI) (*)	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank / NBFCs/ NHB/ FIs ($)	RBI
9	External Commercial Borrowings/Loans from overseas branches of Indian Banks/other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, Banks, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Listed Security Receipts	SEBI
15	Unlisted Security Receipts	RBI
16	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) (*)	Investor-side Regulator such as IRDAI, PFRDA (%)

(*) Includes securitisation transactions involving assignee payout, acquirer's payout.

($) Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

(%) These ratings were assigned prior to the introduction of SEBI CRA Circular dated Feb 10, 2026 and accordingly, investor side FSRs have been mentioned.

Other activities offered by ICRA fall under the regulatory purview of various FSRs, as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutal Funds and AIFs)	SEBI
2	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
3	Independent Credit Evaluation (ICE)	RBI
4	Expected Loss Ratings (For Loan Facilities [Fund/Non-Fund based] from Banks/NBFCs/NHB/FIs)	RBI
5	Expected Loss Ratings (Listed / Proposed to be listed Bonds / Debentures / Preference Shares (all securities))	SEBI
6	Expected Loss Ratings (Unlisted / Proposed to be unlisted Bonds/ Debentures / Preference Shares (all securities))	MCA
7	Credit Rating of Borrowing programme	(@)
8	Issuer Ratings	(#)

9	Monitoring Agency	SEBI
10	Research activities, incidental to rating such as research for Economy & Industries (permitted by SEBI vide SEBI Master Circular for CRAs)	NA

(@) The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument can only be determined upon issuance. Accordingly, ICRA shall capture the rated quantum details along with names of respective FSR in the press release(s) after the issuance(s) of the instruments.

(#) Since no instrument is being rated, FSR is not applicable. The rating scale and definitions stipulated in SEBI Master Circular for CRAs are being followed.

Disclosure: SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of FSRs other than SEBI.

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based – Cash credit	Simple
Short-term – Non-fund based – Bank guarantee, letter of credit	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 II: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Fund based – Cash credit**	NA	NA	NA	6.00	[ICRA]A+ (Stable)
NA	**Non-fund based – Letter of credit**	NA	NA	NA	118.00	[ICRA]A1+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure III: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Panol Industries RMC, FZE	100.00%	Full Consolidation

Source: Company

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ABOUT ICRA LIMITED

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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