

May 26, 2026

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

### Summary of rating action

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

\*Instrument details are provided in Annexure II

### Rationale

The revision in the outlook on the long-term rating of the bank facilities of Aether Industries Limited (AIL) to Stable from Positive reflects ICRA's view that AIL's debt levels will remain high because of the elevated prices of key chemicals and the ongoing capex, which is likely to moderate the coverage metrics. The company has continued to report a steady growth in its revenue and profitability. However, the benefits of scale-up are partly offset by the elevated debt levels for the capex and higher working capital requirements, resulting in a moderation of capital structure and return indicators.

AIL operates in three broad segments – large scale manufacturing (LSM), contract/exclusive manufacturing and contract research and manufacturing services (CRAMs), which are synergistic and enable it to offer a wide range of products to the customers. While the company continues to maintain healthy operating margins, the working capital intensity remains elevated due to the high levels of receivables and inventory, particularly work-in-progress. Although a gradual improvement is expected with the rising share of contract manufacturing and CRAMs - both of which typically entail relatively lower working capital intensity - the pace and sustainability of such moderation remain to be seen.

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 the 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 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.

However, the credit profile is constrained by the continued high working capital intensity and sizeable ongoing capex, which has more than doubled the debt level to Rs. 457.9 crore as of March 2026 from Rs. 199.9 crore as of March 2025. The company's inventory days remained elevated, increasing further to ~296 days in FY2026 from ~263 days in FY2025 due to ramp-up in new molecule, sales of which will take place in Q1 FY2027 and deferment of a portion of sales in the company's LSM segment to Q1 FY2027.

In FY2026, the company undertook an offer for sale (OFS) to comply with promoter shareholding norms; however, unlike the earlier proposed QIP, this did not result in an equity infusion for the company. Consequently, a larger proportion of the capex and working capital requirements has been funded through debt, leading to a moderation in the debt protection metrics.

While the company expects the cash flows to improve with the ramp-up of new capacities, the extent and timeliness of deleveraging remain the key monitorables.

The company's performance is susceptible to the volatility in raw material prices and foreign exchange rates. However, 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.

The Stable 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 strong operational performance in FY2026, driven by robust volume growth, ramp-up of recently commissioned capacities (notably Site 4), and increasing contribution from contract-led businesses. However, the company's capital structure moderated during the year, with the total debt increasing to around Rs. 458 crore as on March 31, 2026 from Rs. 200 crore as on March 31, 2025. This increase is primarily on account of the debt-funded capex and higher working capital requirements, particularly in the absence of fresh equity infusion. Despite the increase in leverage, the company continues to maintain comfortable debt protection metrics, supported by strong operating profitability and healthy cash accruals. Going forward, while the leverage may stay elevated amid the ongoing capex and growth plans, the credit profile is expected to remain supported by a steady operating performance and adequate cash flow generation.

### Credit challenges

**High working capital intensity, led by 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, though this remains to be seen.

**Consistently elevated capex; to be partly debt funded, which can moderate credit metrics to some extent** – AIL's capex intensity remains high, with the company incurring ~Rs. 384 crore in FY2026 while another Rs. 300–350 crore is lined up annually over the near to medium term. In the absence of fresh equity infusion — given promoter dilution has been undertaken via OFS rather than QIP — these investments are increasingly being debt-funded. This, along with the funding of incremental working capital requirements, has moderated the capital structure. Nonetheless, the debt coverage metrics remain comfortable, supported by strong operating performance and healthy cash accruals, although some moderation in credit metrics is expected.

**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 FY2025 to about 15% in FY2026 due to increased domestic sourcing, except for select raw materials for which the international pricing is more favourable. China accounts for 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, which provides a natural hedge against 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 remains adequate, supported by its access to working capital facilities and diversified funding sources, although the liquidity position has moderated in FY2026 compared to the previous year. The company reported low cash balances of Rs. 5–6 crore as on March 31, 2026, along with high utilisation of its working capital limits. ICRA notes that the company is undertaking sizeable capex, which is being funded through a mix of internal accruals and incremental debt. Further, the inherently high working capital intensity continues to keep the reliance on external borrowings elevated. Going forward, the liquidity profile is expected to remain adequate, supported by an expected improvement in operating cash flows with the ramp-up of new capacities and the proposed term loan infusion, although it will remain a key monitorable.

## 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 rating could be revised downwards if there is a sustained pressure on AIL's revenue and profitability. Moreover, a consistently high working capital cycle and further elongation in the same will have an adverse impact on the

company's liquidity position and trigger a downward rating revision. Moreover, any time or cost overruns in the ongoing capex as well as delay in ramp-up can weigh on the rating.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies <b>9 Bold</b>	<a href="#">Corporate Credit Rating Methodology Chemicals</a>
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)

Company name (consolidated)	FY2025	FY2026
Operating income	840.5	1,160.1
PAT	158.4	219.5
OPBDIT/OI	28.9%	31.3%
PAT/OI	18.8%	18.9%
Total outside liabilities/Tangible net worth (times)	0.2	0.3
Total debt/OPBDIT (times)	0.8	1.3
Interest coverage (times)	18.8	20.1

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							
Instrument	Type	Amount rated (Rs. crore)	FY2027		FY2026		FY2025		FY2024	
			Date	Rating	Date	Rating	Date	Rating	Date	Rating
Cash credit/PCFC	Long term	296.00	May 26, 2026	[ICRA]A+ (Stable)	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)	May 26, 2026	[ICRA]A1	Sep 30, 2025	[ICRA]A1	Jan 10, 2025	[ICRA]A1	-	-
LC/BG	Short term	-	-	-	-	-	Apr 10, 2024	[ICRA]A1	Dec 06, 2023	[ICRA]A+; rating watch with negative implications
			-	-	-	-	-	-	Oct 04, 2023	[ICRA]A+ (Stable)
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

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

ICRA-rated instruments that fall under the regulatory purview of various Financial Sector Regulators (FSR) are 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 (%)
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(\*) 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 that fall under the regulatory purview of various Financial Sector Regulators (FSR) are as under:

Sr. No.	Activity Name	FSR
1	Credit Ratings for Capital Protection Oriented Schemes (by Mutual 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 Financial Sector Regulators other than SEBI.

## 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	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	Long term – Fund based - Cash credit/PCFC	NA	NA	NA	296.00	[ICRA]A+ (Stable)
NA	Short term – Non-fund based – (Interchangeable) letter of credit/Bank guarantee	NA	NA	NA	(296.00)	[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
Aether Speciality Chemicals Limited	100.00%	Full consolidation

Source: Company

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