July 29, 2026

Assam Petro-Chemicals Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long term - Fund based - Cash credit	53.91	53.91	[ICRA]BB-(Stable); reaffirmed	RBI
Unallocated limits	836.76	836.76	[ICRA]BB-(Stable); reaffirmed	RBI
Total	**890.67**	**890.67**		

**Instrument details are provided in Annexure-I*

#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.

Rationale

The reaffirmation of the rating for the bank facilities of Assam Petro-Chemicals Limited (APL) factors in its long and established track record in the methanol and formalin business since inception in 1971 and its strong market presence in eastern and northeastern India as the sole manufacturer of both methanol and formalin in the region. The rating also derives strength from APL's strong parentage, with Oil India Limited (OIL) holding a 48.8% stake and the Government of Assam (GoA) being the majority shareholder. APL has received significant support from OIL in the form of extended credit period on natural gas purchases over the last several years which has enabled the company to meet its cash flow obligations in a timely manner. APL's rating also favourably factors in the positive demand outlook for methanol consumption in India and the country's high import dependence, with nearly 96% of the demand being met through imports.

The rating factors in the raw material security available to APL for its existing as well as upcoming methanol capacity, given its 15-year agreement with OIL for the supply of around 0.6 million metric standard cubic metres per day (mmscmd) of natural gas at domestic gas price rates. Moreover, the extended credit period provided by OIL on the natural gas purchases supports the company's liquidity profile. APL's net worth is expected to improve in FY2027, supported by the infusion of equity by the promoters to partly fund the project cost overruns and an anticipated improvement in profitability. The improved profitability is expected to be driven by a sharp rise in methanol/formalin prices following the West Asia crisis, while APL's input gas cost prices have remained largely stable. The ratings also remain constrained by the liquidity pressures caused by the cost and time overruns in the newly commissioned methanol and formalin projects amid a muted profitability. The new 500-TPD methanol project was able to achieve around ~80% capacity utilisation in FY2025, reaching around 92% towards the end of FY2026. The 200-TPD formalin plant has also been commissioned in H2 FY2026.

APL reported an operating loss of around Rs. 102.2 crore in FY2026 (Rs. 135.5-crore operating loss in FY2025 as well) owing to subdued methanol prices amid stable natural gas prices. Given India's significant dependence on methanol imports and the sizeable contribution of West Asian countries to global methanol trade, the West Asia conflict has resulted in a sharp uptick in global methanol prices, thereby supporting higher realisations for APL. At the same time, the company continues to source a major share of its natural gas requirement under the administered price mechanism (APM), resulting in largely stable input costs and leading to an expansion in the gross contribution margins. ICRA expects APL to post operating and net profit in FY2027, provided prevailing methanol prices are sustained at the current level for a major part of the year.

ICRA expects OIL to continue to support the company's cash flows by allowing extended credit period on the natural gas payables. Moreover, the company has been in discussions with the authorities for a waiver of the value added tax (VAT) on natural gas, which, if allowed, will also aid cash generation. ICRA also notes that the company has entered into various memorandums of understanding (MoU) and agreements to supply special grades of methanol e.g. fuel cell grade methanol for defence applications. These contracts entail significantly higher realisations on methanol owing to the specialised grades. As the share of revenue derived from these volumes remain significantly low, a scale-up in the volumes under these contracts and its impact on profitability will remain a key monitorable for APL's credit profile.

Additionally, the company's profitability remains vulnerable to the volatility in international methanol and natural gas prices, import duty levels and foreign exchange fluctuations. At present, the profitability remains supported by elevated methanol prices owing to the West Asia crisis. However, these prices are not expected to sustain over the long term. The resolution of the West Asia crisis will significantly ease global methanol prices and thus impact APL's profitability. The rating also factors in the modest financial risk profile of the entity owing to its weak cash flow generation.

The Stable outlook on the rating reflects ICRA's expectations that OIL will continue to support the firm in the form of extended credit period on the natural gas payables, thereby keeping the cash flows comfortable.

Key rating drivers and their description

Credit strengths

Long and established track record in manufacturing methanol and formalin, strong promoter profile – APL is promoted by the Government of Assam (51%) and Oil India Limited (48.8%) who have infused equity in the company for the ongoing capex. OIL has granted an extended credit period to APL, aiding the latter's cash flow generation. The GoA has infused equity of Rs. 82.57 crore in May 2026, while Assam Gas Company Limited (AGCL) is expected to provide an additional Rs. 12.66 crore shortly. APL has a long track record of over 30 years in manufacturing methanol and downstream products like formaldehyde (formalin) with a strong presence in regions such as the North East, West Bengal, Bihar and North India.

Sole manufacturer of methanol in eastern India; positive demand outlook for methanol consumption in India – APL is the sole manufacturer of methanol in eastern India and has access to the entire eastern and northeastern markets. Most of the methanol imports takes place along the west coast of India and additional freight cost has to be incurred to bring in the imported methanol to the eastern markets. This makes APL's methanol competitive against the imports. The demand outlook for methanol remains positive at a healthy CAGR of 7%-8% per annum over the last few years, driven by demand from the plywood industry, formalin resin etc. Further, the increasing use of methanol in the production of methyl tertiary-butyl ether, pharmaceuticals, acetic acid, etc. is expected to boost domestic demand in the coming years.

Raw material security under long-term supply agreement with OIL; availability of natural gas at domestic price – Natural gas is the primary input for the production of methanol, a part of which is then converted to formalin. APL has a long-term agreement with OIL for the supply of 0.11 mmscmd natural gas for its old unit and 0.50 mmscmd for its new capacity for a period of 15 years ending December 2028. The raw material supply risk is largely mitigated with OIL remaining committed to the project's success as a co-promoter and has also signed a supply agreement with APL for additional gas supply.

Credit challenges

Delayed commissioning of methanol and formalin projects along with cost overruns to impact credit profile – The 500-TPD methanol plant was declared as commissioned in May 2024 (capitalization was undertaken in FY2025) although the commercial production had already started in May 2023, while the 200-TPD formalin project got commissioned in H2 FY2026. The project has witnessed cost and time overruns with the total project cost increasing to Rs. 2267 crore from Rs. 1,337 crore envisaged initially due to increase in the scope of work, commissioning expenses and implementation of the goods & services tax (GST) regime. The cost overruns have been funded through incremental debt being tied up along with equity support from the promoters. While the equity infusion by GoA was completed in May 2026, OIL and AGCL are expected to provide the funding support shortly. Additionally, APL is in advance stages of tying up a Rs. 280-crore term loan to fund the balance cost escalation. Till the loan is tied up, OIL is supporting the company's cash flows through an extended credit period for the gas purchased for commissioning.

Weak cost structure due to increased gas costs – APL's cost structure remains weak owing to the adverse economics of producing methanol at prevailing gas prices. Although the company benefits from access to APM gas, which is one of the lowest-cost gas sources available in the country, the gas price still remains low to support positive gross margins when methanol prices revert to their long-term average levels. While currently methanol prices are elevated owing to the West Asia crisis, the sustenance of the prevailing prices will remain a key monitorable.

Vulnerability of profitability to natural gas prices, import duty levels, global methanol prices and foreign exchange fluctuations – APL's profitability is vulnerable to the cyclicality in the prices of industrial chemicals like methanol and fluctuations in natural gas prices. The reduction in import duty on imported methanol could impact the company's profitability. Moreover, APL's profit margins remain exposed to adverse fluctuations in rupee-dollar exchange rates because of the import parity pricing for domestic sales.

Modest financial risk profile – APL's financial risk profile remains moderate, given its weak profitability as the employee cost is high for the company, while methanol realisations remain volatile. While APL was debt-free before the commencement of the ongoing project, the company has availed a significant amount of debt to fund the methanol and formalin projects. As a result, its financial risk profile is expected to remain modest in the near to medium term amid profitability pressures.

Liquidity position: Stretched

APL's liquidity remains stretched largely due to the subdued profit on the production of methanol. Its cash flows are largely supported by an extended credit period offered by OIL for the gas payments. The company's fund-based limits were utilised to the extent of Rs. 49.01 crore (limit of Rs. 53.91 crore) as on March 31, 2026. The repayment for the outstanding term loans will start from March 2027 and ICRA expects continued support from OIL to meet any cash flow mismatch.

Rating sensitivities

Positive factors – The rating can be upgraded in case of a material improvement in APL's profitability, leading to healthy cash generation that would improve the debt metrics.

Negative factors – The rating can be downgraded in case of a consistent pressure on profitability. Weakening of linkages between APL and its promoters will also weigh on the rating.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Chemicals Corporate Credit Rating Methodology
Parent/group Support	Oil India Limited
Consolidation/standalone	Standalone

About the company

Promoted by the Government of Assam (GoA) and Assam Industrial Development Corporation (AIDC), APL was incorporated as a public limited company in 1971 for the production of methanol and formaldehyde (formalin). Commercial production from the methanol unit started in 1976 and it was the first company in India to manufacture methanol using natural gas.

Based in the North East in Namrup (Assam), APL is engaged mainly in the manufacture of industrial chemical like methanol and downstream resin formaldehyde (formalin), which is a widely used chemical in the plywood and agro-based industries. At present, the company's old plants have a total methanol manufacturing capacity of 100 TPD (33,000 MTPA) and formalin manufacturing capacity of 125 TPD (41,250 MTPA). The company has also constructed a new methanol project at Namrup (500-TPD capacity), which achieved COD in May 2024, and a 200-TPD formalin plant which achieved CoD on September 1, 2025.

Key financial indicators (audited)

Assam Petro-Chemicals Limited (Standalone)	FY2025	FY2026
Operating income	413.3	474.8
PAT	-304.5	-105.5
OPBDITA/OI	-32.3%	-21.5%
PAT/OI	-73.7%	-22.2%
Total outside liabilities/tangible net worth (times)	9.2	20.6
Total debt/OPBDITA (times)	-9.0	-12.4
Interest coverage (times)	-1.4	-0.9

Source: Company, ICRA Research; All ratios are as per ICRA's calculations; Amount in Rs. Crore.
PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: ICRA notes that APL's FY2026 auditor's report cited a few instances of delayed interest servicing in the cash credit account due to delays in crediting equivalent amounts of interest which was debited from the CC account. However, the account remained within sanctioned limits and drawing power, with no overdrawals.

Rating history for past three years

Instrument	Current rating(FY2027)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs crore)	July 29, 2026	FY2026		FY2025		FY2024	
				Date	Rating	Date	Rating	Date	Rating
Fund based - Term loan	Long term	-	-	-	-	December 31, 2024	[ICRA]B+ (Stable); ISSUER NOT COOPERATING	October 13, 2023	[ICRA]BB+ (Negative)
Fund based - Cash credit	Long term	53.91	[ICRA]BB-(Stable)	April 09, 2025	[ICRA]BB-(Stable)	-	-	-	-
Unallocated limits	Long term	836.76	[ICRA]BB-(Stable)	April 09, 2025	[ICRA]BB-(Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund based - Cash credit	Simple
Unallocated limits	NA

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 / sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook	Financial sector regulator#
NA	**Long term – Fund based - Cash credit**	NA	NA	NA	53.91	[ICRA]BB- (Stable)	RBI
NA	**Unallocated limits**	NA	NA	NA	836.76	[ICRA]BB- (Stable)	RBI

Source: The company

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

Annexure II: List of entities considered for consolidated analysis- NA

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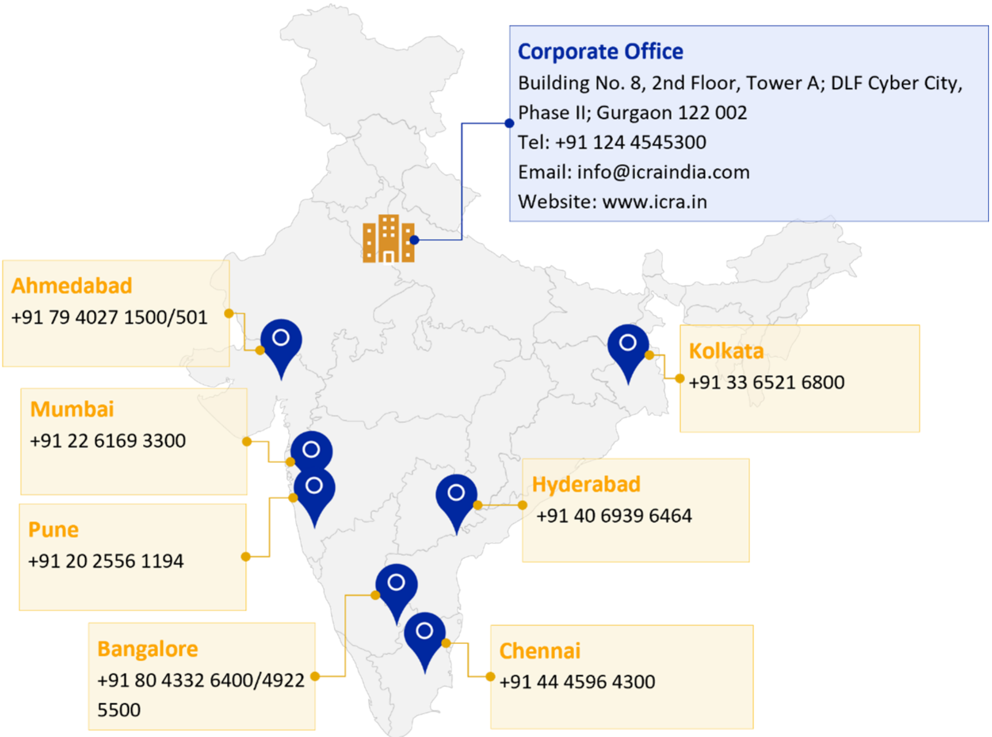

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