November 05, 2026

# Acme Chem Limited: Ratings downgraded to [ICRA]A-/[ICRA]A2+; outlook revised to Stable

## Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action | Financial Sector Regulator# |
|---|---|---|---|---|
| **Long term / Short Term – Unallocated** | 10.00 | 10.00 | [ICRA]A- (Stable)/[ICRA]A2+; downgraded from [ICRA]A (Negative)/[ICRA]A1; Outlook revised to Stable from Negative | RBI |
| **Total** | **10.00** | **10.00** | | |

**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 ratings downgrade of Acme Chem Limited (ACL) factors in the deterioration in the company's operating performance and debt protection metrics in FY2026 (financials received on October 27, 2026), primarily due to the sharp increase in raw material prices in Q4 FY2026, which could not be passed on immediately to customers because of quarterly price revisions, and the continued pricing pressure from low-priced imports from global players. The ratings also consider the slower-than-expected ramp-up of Finorchem Limited's commissioned capacities for TQ and resin, resulting in low capacity utilisation and subdued returns from the sizeable capital expenditure (capex) incurred.

The imposition of anti-dumping duty on sulfenamides, which contribute 15-20% of the company's revenues, is expected to support domestic realisations. At the same time, 6PPD, a major revenue contributor, remains exposed to pricing pressure from low-priced imports following the rejection of its anti-dumping duty application. The proposed anti-dumping duty on 4-ADPA, a key raw material for 6PPD, is still under consideration, and its impact on profitability will depend on the final outcome.

The operating performance recovered in H1 FY2027, supported by improved realisations, higher sales and better capacity utilisation. Going forward, the ramp-up of recently commissioned capacities, anti-dumping benefits, backward integration and cost-saving initiatives are expected to support profitability and debt protection metrics. However, the sustainability of the improvement remains a key monitorable.

The ratings continue to factor in the established presence of the Acme Chem Limited Group in the rubber chemicals industry. The ratings draw comfort from the strategic location of Unit 1 near Unit 2 in the Panoli chemical hub of Gujarat. This proximity, coupled with the Group's established relationships with reputed automobile tyre manufacturers, has ensured repeat business over the years.

The consolidated capital structure remained prudent, with a gearing of 0.4 times and TOL/TNW of 0.6 times as on March 31, 2026, driven by a healthy net worth. The capital structure is likely to stay comfortable in the medium term. The debt-funded capex, elevated working capital borrowings and moderation in the Group's financial performance weakened the coverage metrics in FY2026. Going forward, the anticipated recovery in performance, scheduled amortisation of long-term debt and expected ramp-up of the recently commissioned capacities are likely to support revenue growth, operating margins and a gradual improvement in the coverage metrics. The completion of the backward integration capex is also likely to support profitability over the medium term.

The ratings remain constrained by the suboptimal capacity utilisation at Finorchem's Unit 2. The timely scaling up of the recently rolled out products continues to be a key monitorable. The Group also remains exposed to competition from low-priced imports, particularly for products not covered by anti-dumping protection, which could constrain realisations and profitability. Rubber chemical manufacturing also entails high sectoral concentration risk because of its significant dependence on the tyre manufacturing industry. Besides, the Group remains exposed to foreign exchange (forex) fluctuation risk, as a major portion of its raw materials is imported. However, this risk is mitigated to an extent by a partial natural hedge, hedging of a portion of the residual exposure and periodic revision in sale prices offered to customers.

The company has sizeable investments in land, mainly through subsidiaries and joint ventures, which have not generated commensurate returns so far, thereby keeping the overall return on capital employed under check. However, the development agreement entered into by ACL and some of its subsidiaries with a reputed real estate developer to monetise a part of the land investments is likely to support its cash flows, going forward, though the timing of the same remains uncertain.

The revision in the outlook on the long-term rating to Stable reflects ICRA's expectation that the operating performance will improve gradually, supported by the ramp-up of commissioned capacities and benefits from anti-dumping measures and cost-saving initiatives.

## Key rating drivers and their description

### Credit strengths

**Established presence in rubber chemicals industry –** The Group is an established player in the speciality rubber chemicals industry. Finorchem has two operating chemical manufacturing units - Unit 1 (the rubber chemical manufacturing unit of ACL transferred to Finorchem after the scheme of arrangement w.e.f April 1, 2019) and Unit 2 (acquired in FY2019). Unit 1 has a healthy share in the domestic market for its product range, though the product portfolio remains limited compared to its larger peers. Unit 2 has an established track record in the speciality chemical industry, with a reputed brand name, primarily catering to the tyre industry, and has a larger product range as well as higher capacity than Unit 1. However, the clientele, mainly belonging to the tyre industry, is similar for both units.

**Comfortable capital structure** – The consolidated capital structure was comfortable with gearing at 0.4 times and TOL/TNW at 0.6 times as on March 31, 2026, supported by a healthy net worth. The capital structure is likely to remain robust over the medium term.

**Strategic location of plants** – Finorchem's units are located at the chemical hub in Gujarat, with access to large cities such as Surat and Bharuch. Moreover, both the units are in proximity to each other, which is likely to provide some operational advantages. Finorchem's other two plants, with relatively small capacities, are in Kerala and are non-operational at present.

**Reputed customer base with established relationships reduces offtake risks** – Finorchem's acceptable product quality has led to repeat businesses from its customers over the years. The entity has an established brand, and its products have been approved by some of the prominent players in the tyre manufacturing industry, mitigating the offtake risks to an extent.

### Credit challenges

**Moderate coverage indicators and slower-than-expected ramp-up of expanded capacities** - The coverage indicators moderated in FY2026, owing to lower profitability amid elevated raw material prices in Q4 FY2026, delayed price pass-through and continued pricing pressure from low-priced imports. Further, the slower-than-expected ramp-up of commissioned capacities resulted in low capacity utilisation and subdued returns from the sizeable capex incurred. However, the anticipated recovery going forward and ramp-up of these capacities are likely to support a gradual improvement in the coverage metrics.

**High sectoral concentration risk –** The Group's clientele comprises major tyre manufacturing companies, exposing it to high sectoral concentration risks. Any slowdown in the domestic tyre industry will result in a decline in operating income.

**Exposure to foreign exchange rate fluctuation risk –** A major portion of the raw materials required for rubber chemical manufacturing is imported, and the company is likely to remain exposed to foreign exchange rate fluctuation risk. However, a partial natural hedge arising from some of the exports, hedging of a portion of the residual exposure and periodic revision in sale prices offered to customers mitigate the exposure to forex risks to some extent.

**Large investments in land, primarily through subsidiaries, yet to generate returns** – The company has large investments in land, a major portion of which is through its subsidiaries. Lack of return from the investments has affected the overall business returns so far. However, the development agreement entered by ACL and some of its subsidiaries with a reputed real estate developer to monetise a part of its land assets is likely to support the Group's cash flows, going forward, though the timeliness remains uncertain.

## Liquidity position: Adequate

The liquidity position is Adequate, supported by a cushion in working capital limits. Average fund-based utilisation remained at around 77% of drawing power during June 2025 to September 2026. The company has repayment obligations of around Rs. 28.2 crore in FY2027 and Rs. 26.8 crore in FY2028, which are expected to be serviced through estimated cash flows from operations. Further, no major capex is planned over the medium term.

## Rating sensitivities

**Positive factors** – The ratings could be upgraded if the company records a sustained increase in its scale and profitability while maintaining comfortable debt protection metrics and liquidity position.

**Negative factors** – Pressure on the ratings could arise if there is decline in revenue or profitability, any large debt-funded capex/acquisition resulting in increased leverage and pressure on its coverage metrics on a sustained basis or a stretch in the working capital intensity impacting the liquidity profile of the consolidated entity may also exert pressure on ratings.

## Analytical approach

| Analytical approach | Comments |
|---|---|
| **Applicable rating methodologies** | Corporate Credit Rating Methodology<br>Chemicals |
| **Parent/Group support** | Not applicable |
| **Consolidation/Standalone** | The ratings are based on the consolidated financials of Acme Chem Limited. |

## About the company

ACL, incorporated in 1992, is promoted by Mr. Narain Holani. Prior to the scheme of arrangement, the company manufactured a few select grades of specialty chemicals used as critical inputs for rubber manufacturing, albeit in small proportions. It manufactured rubber chemicals like peptiser, antioxidants, pre-vulcanising inhibitor, accelerator, etc., which are used in different stages of rubber processing. The company primarily catered to automobile tyre manufacturers. The chemical manufacturing plant was at Ankleshwar in the Bharuch district of Gujarat and has a total installed capacity of 10,800 metric tonnes per annum (MTPA).

Finorchem Limited (erstwhile Merchem Limited), incorporated in 1994, was involved in the manufacturing of specialty rubber chemicals and a few other chemicals. However, the company discontinued its operations due to financial stress. In FY2019, Finorchem was acquired by ACL through the corporate insolvency resolution process (under the provisions of the Insolvency and Bankruptcy Code, 2016). Finorchem has manufacturing facilities at Eloor and Edayar in Kerala and Panoli in Gujarat. Unit 2 at Panoli, which was revamped and commenced operations in December 2020, has a total installed capacity of 62,000 MTPA. The plants in Kerala are currently non-operational.

## Key financial indicators (audited)

| ACME (consolidated) | FY2025 | FY2026* |
|---|---|---|
| **Operating income (OI)** | 557.1 | 547.3 |
| **PAT** | 29.6 | -7.2 |
| **OPBDITA/OI** | 7.9% | 2.8% |
| **PAT/OI** | 5.3% | -1.3% |
| **Total outside liabilities/Tangible net worth (times)** | 0.6 | 0.6 |
| **Total debt/OPBDITA (times)** | 5.1 | 13.9 |
| **Interest coverage (times)** | 3.2 | 1.0 |

*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; *Provisional*

## 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)** | **Nov 05, 2026** | **Date** | **Rating** | **Date** | **Rating** | **Date** | **Rating** |
| **Unallocated** | Long term/ Short term | 10.00 | [ICRA]A-(Stable)/ [ICRA]A2+ | Feb 20, 2026 | [ICRA]A (Negative)/ [ICRA]A1 | - | - | Oct 23, 2023 | [ICRA]A (Stable)/ [ICRA]A1 |
| | | | | Apr 07, 2025 | [ICRA]A (Stable)/ [ICRA]A1 | - | - | Mar 26, 2024 | [ICRA]A (Stable)/ [ICRA]A1 |

## Complexity level of the rated instruments

| Instrument | Complexity indicator |
|---|---|
| **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 | Financial Sector Regulator# |
|---|---|---|---|---|---|---|---|
| **NA** | **Unallocated** | NA | NA | NA | 10.00 | [ICRA]A- (Stable)/ [ICRA]A2+ | RBI |

*Source: 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

| Company name | ACL ownership | Consolidation approach |
|---|---|---|
| Acme Chem Limited | Rated entity | Full consolidation |
| **Subsidiaries** | | Full consolidation |
| Adirish Heights Private Limited | 99.83% | Full consolidation |
| Emerald Heights Private Limited | 99.08% | Full consolidation |
| Rational Heights Private Limited | 82.53% | Full consolidation |
| Hiramoti Nirman Private Limited | 67.56% | Full consolidation |
| Finorchem Limited | 100.00% | Full consolidation |
| **Associate** | | Full consolidation |
| Satyam Enclave Private Limited | 47.88% | Full consolidation |
| **Jointly controlled entities** | | Full consolidation |
| Adirish Nirman LLP | 99.0% | Full consolidation |
| Adirish Realty LLP | 99.0% | Full consolidation |
| Hiramoti Properties LLP | 99.0% | Full consolidation |
| Keytouch Properties LLP | 99.0% | Full consolidation |
| Lesha Realty LLP | 99.0% | Full consolidation |
| Nirmachan Realty LLP | 99.0% | Full consolidation |
| Nirmaalya Estate LLP | 99.0% | Full consolidation |
| Buddhividhata Realty LLP | 99.0% | Full consolidation |
| Chaturanan Realty LLP | 99.0% | Full consolidation |
| Gajakarna Realty LLP | 99.0% | Full consolidation |
| Lambkarn Realty LLP | 99.0% | Full consolidation |
| Paridhan Realty LLP | 99.0% | Full consolidation |
| Raktakaraya Realty LLP | 99.0% | Full consolidation |
| Sukhanidhi Realty LLP | 99.0% | Full consolidation |
| Devyai Realty LLP | 99.0% | Full consolidation |
| Himganga Realty LLP | 99.0% | Full consolidation |
| Jagadisha Realty LLP | 99.0% | Full consolidation |
| Mahadriga Realty LLP | 99.0% | Full consolidation |

*Source: ACL Annual Report*

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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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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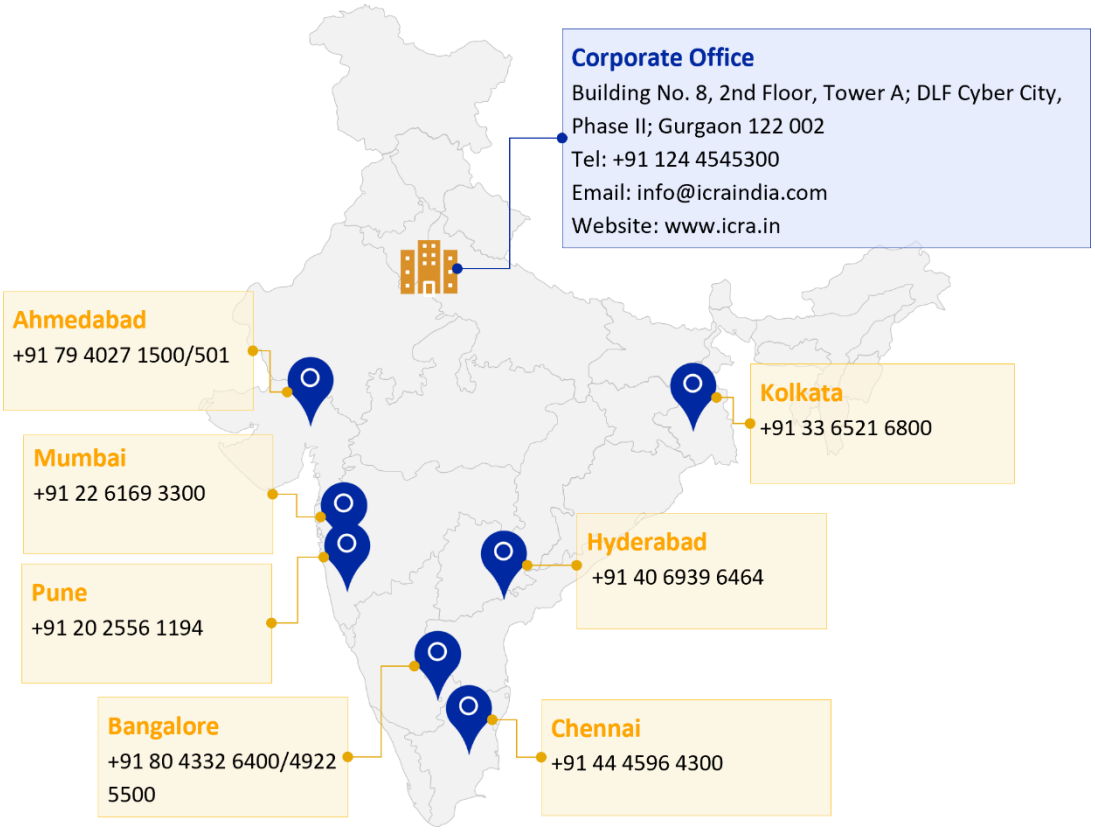


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