

April 03, 2025

Industrial Solvents & Chemicals Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term / Short term-Fund based-Cash credit	145.00	145.00	[ICRA]A+ (Stable)/ [ICRA]A1; reaffirmed
Short Term-Non Fund Based- Others	173.90	145.00	[ICRA]A1; reaffirmed
Total	318.90	290.00	

*Instrument details are provided in Annexure I

Rationale

The reaffirmation of the ratings factors in Industrial Solvent & Chemicals Private Limited's (ISCPL/the company) position as one of the leading manufacturers of di-methyl sulphate (DMS) and di-ethyl sulphate (DES). The financial risk profile is characterised by healthy coverage indicators and a comfortable capital structure. The ratings note the company's diversified customer base, the established track record of the promoters in the chemical manufacturing business, the strong competitive advantage enjoyed by ISCPL owing to its multi-product facility and the high entry barriers in its segment of business operations.

The ratings are, however, constrained by the exposure of the company's profitability to adverse fluctuations in raw material prices and other input costs like freight expense and currency movements. The ratings consider the vulnerability of ISCPL's operations to the cyclical nature in the chemical industry and the growing risk of regulatory tightening.

The Stable outlook on the [ICRA]A+ rating reflects ICRA's opinion that ISCPL's financial performance will continue to benefit from its established position in the DMS and DES segments, which coupled with the moderate capex plans should support its credit profile in the medium term.

Key rating drivers and their description

Credit strengths

Established track record of promoters in chemical manufacturing business; one of the largest global DES and DMS manufacturers – ISCPL was incorporated in 1959 by Mr. Pravin R. Shah and family. The company manufactures various organic and inorganic chemicals such as DMS, DES, alkylated anilines, sulphuric acid and ethers. It has built strong in-house technical capabilities, providing competitive advantage over other players. ISCPL enjoys a dominant share in the DMS and DES markets, both domestic and global.

High entry barriers through large capital requirements and highly hazardous nature of products – The company faces limited competition from new entrants due to the high capex required to set up the manufacturing facility. Moreover, the products are hazardous in nature and require excessive caution for production, handling and storage, thus adding to the entry barriers.

Diversified customer base – The company's customers in the export market mainly include surfactant manufacturers, while domestic customers are primarily players in dyes, pigments and the pharmaceutical sector. ISCPL's customer base is highly diversified with the top five export and domestic customers each accounting for 15-30% of the total sales.

Healthy financial risk profile – The company posted a revenue of Rs. 717.4 crore in FY2024 compared with Rs. 828.0 crore in FY2023 on the back moderation in the realisations even as volumes witnessed healthy growth. However, during 9MFY2025 company achieved revenue of ~Rs. 733.3 crore (Provisional) surpassing its FY2024 revenue. The OPM% also improved to 12.6% in FY2024 vis-à-vis 10.5% in FY2023 and further stood at ~14% in 9MFY2025 (Provisional) as the raw material prices remained

stable resulting in the ability of the company to pass through the RM price volatility to the customers. The capital structure remained healthy with TD/TNW at 0.31 times and interest coverage at 12.9 times (18x in FY2023). The TD/OPBDITA improved to 0.86 times in FY2024 (0.93 times in FY2023), indicating a healthy credit profile. While the company's financial profile is expected to remain healthy, any significant buyback of shares resulting in further reduction of the net worth and moderation of the liquidity profile remains a key monitorable.

Credit challenges

Profitability exposed to volatility in raw material prices and other input costs – The company enters into fixed-price contacts with some of its customers, thus keeping the margin vulnerable to the volatility in raw material prices. While the company passes on the price increase with a time lag, a significant rise in raw material prices adversely impacts the margin due to its inability to entirely pass this on to its customers. Nonetheless, in FY2024, the profit margin improved on account of a healthy growth in volumes.

Operations susceptible to cyclicity in end-user industries – The chemical industry is closely linked to the overall pace of industrial activity and economic growth. ISCIPL's operations are, therefore, exposed to the cyclical peaks and troughs in the end-user industries, which include textiles, surfactants, agrochemicals and personal care products.

Increasing risk of regulatory tightening – The company's product profile includes hazardous material that requires dedicated containers for transport, and other remedial measures as environmental regulations become more strict globally. With rising concerns of environmental pollution, ISCIPL is susceptible to the risk of regulatory tightening, which may necessitate additional investments for regulatory compliance.

Liquidity position: Adequate

ISCIPL's liquidity profile is expected to be strong in the near term, with no long-term debt repayments and moderate capex plans. The liquidity is further supported by lien free fixed deposit of Rs. 17 crores and availability of unutilised working capital limits. ICRA notes that the company has been undertaking sizeable shareholder payouts consistently over the last few years which has resulted in the moderation in the cushion in the liquidity profile. Going forward with the management's intention to continue with the sizeable shareholder payouts, the liquidity position is expected to remain adequate with no major capex plans and nil debt repayments.

Rating sensitivities

Positive factors – An upward movement in the ratings could take place if the company demonstrates a sustained growth in operating income and profits while maintaining healthy capitalization and coverage metrics along with healthy liquidity position.

Negative factors – Pressure on the ratings could arise if there is a sustained decline in the scale of operations and profits. Further, any stretch in the working capital cycle, or a large debt-funded capex, exerting pressure on the liquidity position may trigger a downgrade. A specific trigger for downgrade includes TD/OPBDITA of more than 1.5 times on a sustained basis. Further, continued share buybacks resulting in a further reduction in net worth and limiting the recovery or further weakening of the liquidity profile would also be a rating sensitivity factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not applicable
Consolidation/Standalone	The rating is based on the standalone financial profile of the company

About the company

ISCPL, incorporated by Mr. Pravin R. Shah and family in 1959, began operations by trading in chemicals and pharmaceuticals. Subsequently, the company ventured into manufacturing various organic and inorganic chemicals, such as DMS, DES, alkylated anilines, sulphuric acid and ether. Its manufacturing facility is at Ankleshwar, Gujarat. The company has a subsidiary (51% ownership), ISC Chemspec LLP, which was planning to set up a greenfield project at Dahej, Gujarat has now been dropped.

Key financial indicators (audited)

	FY2023	FY2024
Operating income	828.88	717.45
OPBDIT/OI	10.5%	12.6%
Total outside liabilities/Tangible net worth (times)	0.90	0.80
Total debt/OPBDIT (times)	0.93	0.86
Interest coverage (times)	18.29	12.98

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

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	Apr 03, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund Based-Cash Credit	Long-term and Short-term	145.00	[ICRA]A+(Stable) / [ICRA]A1	-	-	Mar-12-24	[ICRA]A+(Stable)/ [ICRA]A1	Jan-19-23	[ICRA]A+(Stable)/ [ICRA]A1+
Non Fund Based- Others	Short term	145.00	[ICRA]A1	-	-	Mar-12-24	[ICRA]A1	Jan-19-23	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term / Short term-Fund based-Cash credit	Simple
Short Term-Non Fund Based-Others	Very 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 I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
-	Fund Based-Cash Credit	NA	NA	NA	145.00	[ICRA]A+ (Stable)/ [ICRA]A1
-	Non Fund Based-Others	NA	NA	NA	145.00	[ICRA]A1

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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