June 05, 2025

Alkali Metals Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund based	18.00	18.00	[ICRA]BB+(Negative); reaffirmed
Short term non-fund based facilities	7.00	7.00	[ICRA]A4+; reaffirmed
Total	**25.00**	**25.00**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of the ratings factors in Alkali Metals Limited's (AML/the company) long track record in manufacturing sodium derivatives for more than three decades and its diverse product portfolio with presence in sodium derivatives, pyridine derivatives, fine chemicals and active pharmaceutical ingredients (API). The ratings also factor in the company's healthy capital structure with a gearing of 0.4 times as on March 31, 2025, owing to the moderate debt levels with the debt being primarily working capital in nature.

The ratings are, however, constrained by AML's moderate operating profitability, subdued return indicators with low RoCE over the last few years on account of low capacity utilisation and high working capital intensity owing to the elevated inventory levels. Further, the company reported operating loss in FY2025 due to lower spreads between the selling price and raw material cost for sodium derivatives and amino pyridines. However, the company reported operating profit in Q4 FY2025 after three quarters of operating loss. Further, healthy customer advances in Q4 FY2025 have helped improve the working capital intensity. A sustained improvement in the operating margins remains a key rating sensitivity.

ICRA also notes the company's modest scale of operations with revenues at Rs. 82.3 crore in FY2025. The ratings also factor in the exposure of profitability to foreign exchange fluctuations (as exports account for a significant portion of AML's total sales) and volatility in raw material prices.

The Negative outlook reflects the pressure on AML's financial profile in the near-to-medium term, given the sustained profitability pressure in FY2025, its impact on debt coverage metrics and reliance on working capital borrowings.

Key rating drivers and their description

Credit strengths

Diverse product portfolio with extensive track record in manufacturing sodium derivatives – AML manufactures products across four categories – sodium derivatives, pyridine derivatives, fine chemicals and pharmaceutical APIs. AML has an extensive track record of more than three decades in manufacturing sodium derivatives, such as sodium amide, sodium azide, and sodium hydride. The sodium derivatives have been the major products for the company.

Healthy capital structure – The company's capital structure remained healthy with a gearing of 0.4 times as on March 31, 2025, owing to the moderate debt levels with the debt being primarily working capital in nature. As on March 31, 2025, the promoters held 69.6% equity stake in the company, of which around 30.1% was pledged or encumbered, which could weigh on the company's financial flexibility.

Credit challenges

Modest scale of operations – The operating income remained moderate at Rs. 82.3 crore in FY2025. There has been a continuous effort to develop new products and commercialise them on a campaign basis. However, the revenues are likely to be range-bound in the near term, given the low capacity utilisation and no major expected ramp-up.

Moderate profitability; low return indicators – AML reported operating loss in FY2025. The operating profit was impacted in FY2025 due to lower spreads between the selling price and the raw material cost for sodium derivatives and amino pyridines. RoCE continues to be modest because of a moderation in profitability and low capacity utilisation of its facilities. The Visakhapatnam unit was started in 2011-2012 to manufacture APIs and fine chemicals. However, the capacity utilisation has remained significantly low, impacting the revenue and profitability. The coverage indicators remained weak in FY2025 with the company reporting operating loss.

Working capital-intensive nature of operations – The working capital intensity has been high over the years owing to the high inventory requirements. As a result, the sanctioned working capital limit utilisation continues to be elevated. The inventory days are high as AML maintains a buffer inventory to meet sudden export orders along with the long processing time, given the various stages of the manufacturing process. The inventory levels are also high owing to the long lead time for imported raw materials. The company primarily imports sodium metal and pyridine. However, healthy customer advances in Q4 FY2025 helped improve the working capital intensity.

Further, exports account for majority of the revenue, which makes the profitability vulnerable to forex rate fluctuations. However, the imports provide a natural hedge to some extent. The company does not hedge its net forex exposure and, thus, remains exposed to the forex rate movements for the unhedged portion.

Environmental and social risks

AML, being present in the chemical industry, is exposed to the risk of tightening regulations on environment and safety. However, as per the discussion with the entity, AML has been compliant with environmental regulations. The company has five decades of experience in handling extremely hazardous processes and products involving sodium-based compounds and pyridine derivatives.

Further, operating responsibly is an imperative and instances of non-compliance with environmental, health and safety norms could have an adverse impact on the local community, which could manifest in the form of protests, constraining the ability to operate or expand the capacity. AML hasn't experienced/reported any incident suggestive of safety lapses in its manufacturing facilities over the past several years and its ability to maintain the manufacturing controls would be a monitorable.

Liquidity position: Stretched

AML's liquidity position is stretched due to the limited cushion available in the working capital limits and low cash balances. The liquidity position is stretched with high average utilisation of working capital limits at 96% of the sanctioned limits between April 2024 and March 2025 due to the high inventory levels. It has repayment obligations of Rs. 0.3 crore in FY2026 and Rs. 0.2 crore in FY2027, and the estimated cash flows would be sufficient to service the repayment obligations. The liquidity position is expected to remain stretched with high inventory levels, limited buffer in sanctioned fund-based working capital limits, regular maintenance capex and consistent annual dividend payouts.

Rating sensitivities

Positive factors – A rating upgrade is unlikely in the near term owing to the Negative outlook. However, the outlook could be revised to Stable if there is a sustained improvement in the operating margins and debt coverage metrics.

Negative factors – Pressure on AML's ratings could arise on the inability to improve the operational profit, resulting in lower cash accruals. A deterioration in the working capital cycle impacting the company's liquidity position or a large debt-funded capital expenditure could also be a trigger for downgrade. A credit metric that could lead to a downgrade include interest coverage below 2.3 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financials of AML

About the company

Alkali Metals Limited (AML) was set up in 1968 as a joint venture with Andhra Pradesh Industrial Development Corporation Limited (APIDCL). Initially, the company produced sodium metal, but it exited this business in 1989 as rising power costs made manufacturing sodium metal unviable. Subsequently, it diversified into manufacturing derivatives based on sodium metal, picoline and other cyclic compounds. Its products can be classified as sodium derivatives, amino pyridines, fine chemicals and APIs. Its products are sold primarily to pharmaceutical companies for further processing and conversion into bulk drugs.

Key financial indicators (audited)

	FY2024	FY2025
Operating income	82.9	82.3
PAT	1.1	-5.8
OPBDIT/OI	9.9%	-0.9%
PAT/OI	1.4%	-7.0%
Total outside liabilities/Tangible net worth (times)	1.1	1.1
Total debt/OPBDIT (times)	2.8	-24.0
Interest coverage (times)	3.2	-0.3

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 rating (FY2026)			Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	June 5, 2025	Date & rating in FY2025 Dec 5, 2024	Date & rating in FY2025 Nov 19, 2024	Date & rating in FY2024 Dec 5, 2023	Date & rating in FY2023 Oct 14, 2022
1	**Cash credit limits**	Long term	18.0	[ICRA]BB+ (Negative)	[ICRA]BB+ (Negative)	[ICRA]BB+ (Negative)	[ICRA]BB+(Stable)	[ICRA]BB+(Stable)
2	**Non-fund based**	Short term	7.0	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+
3	**Unallocated limits**	Long term/ Short term	-	-	-	[ICRA]BB+ (Negative)/ [ICRA]A4+	[ICRA]BB+(Stable)/ [ICRA]A4+	[ICRA]BB+(Stable)/ [ICRA]A4+
4	**Term loan**	Long term	-	-	-	-	[ICRA]BB+(Stable)	[ICRA]BB+(Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Cash credit	Simple
Non-fund based facilities	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
NA	**Cash credit**	NA	NA	NA	18.00	[ICRA]BB+(Negative)
NA	**Non fund-based limits**	NA	NA	NA	7.00	[ICRA]A4+

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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