

June 10, 2025

Esteem Industries Pvt. Ltd: Ratings reaffirmed

Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|--------------------------------------|--------------------------------------|-------------------------------------|--------------------------------|
| Long term - Fund based - Cash credit | 75.00 | 75.00 | [ICRA]BBB (Stable); reaffirmed |
| Long term - Fund based - Term loan | 1.34 | 1.34 | [ICRA]BBB (Stable); reaffirmed |
| Short term – Non-fund based- LC/BG | 24.50 | 24.50 | [ICRA]A3+; reaffirmed |
| Total | 100.84 | 100.84 | |

*Instrument details are provided in Annexure I

Rationale

While arriving at the ratings for the bank lines of Esteem Industries Pvt. Limited (EIPL/the company), ICRA has considered the consolidated financials of EIPL, which include its wholly-owned subsidiary Dyna Glycols Private Limited (DGPL, rated [ICRA]BBB (Stable)/[ICRA]A3+) and step-down subsidiary, Harcros Chemicals Private Limited (HCPL, 100% owned by DGPL). The entities are together referred to as the Esteem Group.

The reaffirmation of the ratings factors in the Group's established track record and the extensive experience of the promoters and the management in the chemicals industry and a healthy ramp-up of the capacities added in recent years, leading to a steady growth in the scale of operations over the last few years.

The ratings also consider the Group's continued relationship with suppliers and customers and its diversified product profile with application in various end-user industries like textile, agrochemicals, paper, paint etc., which reduces the dependence on any particular industry. The financial risk profile is comfortable, characterised by adequate cash accruals, limited external debt payment obligations and healthy credit metrics.

The ratings are, however, constrained by the moderate scale of operations, susceptibility of profitability to volatility in raw material prices, competition from other organised and unorganised players and vulnerability to changes in regulations.

ICRA also notes that the Group is in the midst of a large capacity expansion of Rs. 380 crore, whereby it is setting up a greenfield capacity of 24,000 MTPA under HCPL (a subsidiary of Dyna Glycols Pvt. Ltd.) to cater to the more regulated markets. Given the large size of the capex, the Group remains exposed to project execution risks.

The capex under HCPL is being funded through Rs. 85 crore of term loans from banks, Rs. 225 crore of ECB provided by Harcros India LLC (HIL, holding company of EIPL) and the remaining will be contributed by DGPL. The project was earlier expected to be completed by mid-FY2026, but is now likely to be completed by the end of FY2026. The ECB provided by HIL offers comfort as it allays repayment concerns for the near to medium term. The cash flows from the project are expected to pick up pace before any material debt repayments begin, adding to the comfort.

The Stable outlook reflects ICRA's expectation that the Group will continue to benefit from its established track record in the industry and a healthy ramp-up of the capacity utilisation of the existing units, going forward.

Key rating drivers and their description

Credit strengths

Long and established track record of the company, backed by experienced management and promoter entity - EIPL has been manufacturing surfactants in the country for more than two decades and is backed by an experienced management. The Group

also benefits from being owned by Harcros Chemicals Inc (US) (Harcros) through its wholly-owned subsidiary, Harcros (India) LLC (HIL), which is the holding company for the Indian operations. Harcros is one of the largest traders and manufacturers of chemicals in the US market. HIL's ownership has benefitted EIPL in terms of market access. EIPL and other group entities have also received funding support from HIL in the form of long tenured loans to fund their capex programmes, including the ongoing capex programme at HCPL.

Diversified product profile with application in numerous industries - EIPL and the group entities benefit from a diversified product profile with no product contributing more than 3-4% of the total revenue. The company also serves various industries through its products e.g. detergents, textile, pharma, agrochemicals, oil & gas etc. There is no significant dependence on a single industry because of the diversified industry profile. Hence, the company is expected to be protected against any significant downturn or cyclicity of a particular industry.

Healthy financial risk profile - EIPL's consolidated financial risk profile has remained healthy, characterised by stable operating margins in the range of 13-16% over the course of FY2021 to FY2024 with RoCE of 20.2% in FY2024 against 24.5% in FY2023. While the RoCE moderated, it remained healthy. The company's consolidated total debt/OPBDITA remained comfortable at 1.9x in FY2024 (2.0x in FY2023). ICRA expects the Group's consolidated credit profile to moderate in FY2026 as the Rs. 380-crore capex under HCPL nears completion. With the project debt being availed largely in FY2025 and FY2026 and a major part of the project being funded by unsecured loans from HIL, the credit metrics will moderate, although the same will remain adequate given the rating category..

Credit challenges

Profitability exposed to input cost and forex volatility - EIPL's profitability remains exposed to the volatility in input prices with the key inputs being ethylene oxide, lauryl alcohol and other fatty alcohols. As the Group derives majority of its revenues through short-term purchase orders, the pricing remains dependent on the prevailing market price and is open to competition from others. When the input prices are volatile, the company may not be able to fully pass on the impact of raw material price hikes to the end users. The company is also vulnerable to foreign exchange risk as it does not hedge its exposure. While ICRA notes that a major portion of the revenue is derived through exports for the Group, the volatility in the foreign currency markets can impact the company's profitability.

Working capital-intensive operations - The Group's operations remain working capital-intensive as it does not get any credit period on the purchase of the major raw material i.e. ethylene oxide, while the company has to offer a credit period of 60-90 days to its customers in the export markets. Additionally, it maintains a significant raw material stock and work-in-process inventory.

Exposed to competition - The surfactant market is highly competitive with the presence of a few large organised players and several unorganised players. As a result, EIPL remains exposed to competitive pressures in the market. Competition can limit the pricing power in a few generic segments of surfactants. The competition is not high in categories where the end users require specialised products.

Project execution risks given the large size project being executed in the group - The Group is undertaking a Rs. 380-crore project under HCPL, which is a step-down subsidiary of EIPL, to set up a 30,000-MTPA surfactant manufacturing capacity at Dahej, Gujarat. The project will be funded through Rs. 85 crore of term debt from banks, Rs. 225 crore of loans from promoters and the remaining through unsecured subordinated loans from DGPL. Given the large size of the project, the Group will remain exposed to project execution and ramp-up risks once the project is commissioned. However, the project is in a similar line of business and the ultimate holding company Harcros Chemicals Inc US is looking to offtake majority of the production, thereby mitigating the risk to some extent.

Liquidity position: Adequate

The liquidity position of the company is expected to remain adequate going forward supported by healthy cash accruals of Rs. 90-100 crore p.a going forward on consolidated basis, which should enable the company to meet its debt servicing requirements. The liquidity is also supported by cash and cash balances of ~Rs. 45 crore as of March 2024 and the cushion in the fund based working capital limits which remains utilised to the extent of 50-55%.

The standalone liquidity profile of EIPL is expected to remain adequate supported by net cash accruals of around Rs. 40-50 crore per annum going forward which should be adequate to meet its debt servicing obligations which include residual payment for the ECB provided by the holding company. The liquidity is supported by Rs. 40-50 crore of free cash (prov) as on March 31, 2025 and cushion in the working capital limits which have remained utilised to the extent of 50-55% over the course of last 12 months ending March 2025.

Rating sensitivities

Positive factors – The ratings could be upgraded with if there is significant improvement in its scale of operations at a consolidated level, while maintaining healthy profitability and liquidity position. A timely commissioning of the ongoing capex under Harcos Chemicals Private Limited within the envisaged costs and a healthy ramp up of the same leading to a sustained increase in the consolidated cash flow from operations may result in a rating upgrade. A key credit metric that could lead to a rating upgrade would be ability to maintain a consolidated total debt/OPBDITA below 2.5x on a sustained basis.

Negative factors – There would be pressure on the ratings if there is significant deterioration in the scale or/and profitability at the consolidated level impacting the leverage and coverage indicators along with weakening of the liquidity position of the company may trigger a rating downgrade. Any material delay in executing the ongoing capex and/or larger than expected debt funded capex could also lead to a rating downgrade. A key credit metric that could lead to a rating downgrade would be inability to maintain consolidated interest coverage of more than 3.2x on a sustained basis.

Analytical approach

| Analytical approach | Comments |
|---------------------------------|---|
| Applicable rating methodologies | Corporate Credit Rating Methodology Chemicals |
| Parent/Group support | Not applicable |
| Consolidation/Standalone | ICRA has used the consolidated financials of the entity to arrive at the ratings. |

About the company

Esteem Industries Pvt. Ltd (EIPL) was incorporated in 2001 with the objective of manufacturing ethoxylated and propoxylated products which are used in various industries such as textile, paints, cosmetics and agriculture. The group is recognised as the Venus Group in the industry with its administrative office at Fort, Mumbai. The company has manufacturing plants at Pissurlem (Goa) and Vikramgad near Wada (Maharashtra). The production capacity of the Goa plant was 15,000 MTA and the Wada plant 48,000 MTA in 2024.

In January 2016, the promoter, Mr. Keki. P. Gandhi, Mr. Amol Ashok Walke and Mrs. Anjali Ashok Walke had divested their controlling stake (51%) to a company called M/s. Harcos (India) LLC (HIL), a subsidiary company of M/s. Harcos Chemicals Inc. (HCI), USA. HCI is a major distributor and manufacturer of industrial and specialty chemicals, engaged in a similar business as Esteem Industries Pvt. Ltd. (EIPL). As on March 31, 2024, HIL held a 100% stake in EIPL.

Key financial indicators (audited)

| EIPL Consolidated | FY2023 | FY2024 |
|--|--------|--------|
| Operating income | 916.5 | 840.0 |
| PAT | 87.5 | 65.6 |
| OPBDIT/OI | 15.2% | 13.9% |
| PAT/OI | 9.6% | 7.8% |
| Total outside liabilities/Tangible net worth (times) | 1.0 | 0.7 |
| Total debt/OPBDIT (times) | 2.0 | 1.9 |
| Interest coverage (times) | 7.7 | 7.4 |

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 | | | | | |
|--|------------------|--------------------------|--------------------|---|--------|--------------|--------------------|--------|--------|
| | FY2026 | | | FY2025 | | FY2024 | | FY2023 | |
| | Type | Amount rated (Rs. crore) | June 10, 2025 | Date | Rating | Date | Rating | Date | Rating |
| Long term - Cash credit – Fund-based | Long term | 75.00 | [ICRA]BBB (Stable) | - | - | Mar 31, 2024 | [ICRA]BBB (Stable) | - | - |
| Long term - Term loan – Fund-based | Long term | 1.34 | [ICRA]BBB (Stable) | - | - | Mar 31, 2024 | [ICRA]BBB (Stable) | - | - |
| Short term - Letter of credit – Non-fund based | Short term | 24.50 | [ICRA]A3+ | - | - | Mar 31, 2024 | [ICRA]A3+ | - | - |

Complexity level of the rated instruments

| Instrument | Complexity indicator |
|-------------|----------------------|
| Term loans | Simple |
| Cash credit | Simple |
| LC/BG | 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/Sanction | Coupon rate | Maturity date | Amount rated (Rs. crore) | Current rating and outlook |
|------|--------------------------------------|---------------------------|-------------|---------------|--------------------------|----------------------------|
| NA | Long term - Fund based - Cash credit | NA | NA | NA | 75.0 | [ICRA]BBB (Stable) |
| NA | Long term - Fund based - Term loan | FY2019 | ~9.8% | FY2025 | 1.34 | [ICRA]BBB (Stable) |
| NA | Short term - Non fund based - LC/BG | NA | NA | NA | 24.5 | [ICRA]A3+ |

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

| Company name | EIPL ownership | Consolidation approach |
|-----------------------------------|----------------|------------------------|
| Esteem Industries Pvt Ltd | Self | Full consolidation |
| Dyna Glycols Private Limited | 100% | Full consolidation |
| Harcros Chemicals Private Limited | 100% | Full consolidation |

Source: Company

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