

December 22, 2025

AVT Natural Products Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund based – Term loans	8.00	4.15	[ICRA]A+ (Stable); reaffirmed
Long-term – Fund based – Cash credit	74.50	95.00	[ICRA]A+ (Stable); reaffirmed and assigned for enhanced amount
Short-term – Non-fund based limits	13.76	15.33	[ICRA]A1+; reaffirmed and assigned for enhanced amount
Long-term/ Short-term – Unallocated limits	2.62	0.00	-
Total	98.88	114.48	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation reflects ICRA's expectations that AVT Natural Products Limited (AVTN) is likely to sustain its stable operating performance over the medium term, supported by its well-established presence in the natural extracts industry and long-term relationships with its key customers. The ratings also consider the long experience of AVTN's promoters and management in the industry and the company's strong financial risk profile, reflected by its conservative capital structure, healthy coverage metrics and strong liquidity, which is expected to be maintained going forward. The ratings continue to favourably factor in the diversified product portfolio with healthy revenue contribution from the three product categories marigold extracts, spice oils and oleoresins and beverages. A strategic supply agreement with one of the key customers for the sale of marigold oleoresins reduces offtake risks and provides revenue visibility.

The ratings, however, remain constrained by the high geographical and customer concentration of revenue, with the US accounting for around 45% of sales in FY2025 and the top 5 customers contributing more than 80% of the revenue over the past few fiscals. The ratings also consider the inherent susceptibility of the company's operations and margins to prevailing agro-climatic conditions, as all its products are agro commodities, and AVTN's vulnerability to fluctuations in foreign exchange rates, as it is an export-oriented unit. The ratings also factor in the high working capital intensity of the business operations, which increased materially in FY2025 owing to higher inventory holding and elevated receivables, and is expected to remain a key monitorable.

The Stable outlook on the long-term rating reflects ICRA's opinion that AVTN is expected to maintain its business positioning while sustaining profitability levels, along with maintaining a conservative capital structure and strong liquidity over the medium term.

Key rating drivers and their description

Credit strengths

Diversified product portfolio – AVTN's product portfolio comprises marigold extracts, spice oils and oleoresins (paprika, capsicum, pepper, etc.), and beverages (instant tea and decaffeinated tea), among others. The company's portfolio also consists of animal nutrition products, which, although they currently constitute a small portion of the overall offerings, recorded material revenue growth of more than 60% in FY2025 on a YoY basis. While marigold extracts remained the mainstay of the business till FY2014, the company's product mix has diversified since then, and the share of marigold extracts has

reduced to less than 40% of revenues over the last couple of years. Spice oils and oleoresins contributed around 25%, while beverages contributed around 30% of the revenue in FY2025. AVTN has an established presence in the oleoresin segment with a stable customer profile. The diversified product portfolio lends stability to the company's revenues and earnings while limiting the impact of a downturn in any single segment on the overall performance of the company.

Conservative capital structure and healthy debt protection metrics – AVTN's financial risk profile remains healthy, characterised by its conservative capital structure and healthy debt protection metrics, along with a strong liquidity position supported by consistent earnings from operations. Its gearing (total debt/tangible net worth) remained conservative at 0.2 times as on March 31, 2025, while the interest cover and total debt/OPBDITA stood at around 7.4 times and 1.6 times, respectively, in FY2025. Although the coverage indicators continue to remain healthy, they moderated to an extent vis-à-vis FY2024 owing to a decline in earnings. While ICRA expects the company to continue to maintain a healthy financial risk profile due to its low reliance on debt and healthy cash accruals, any material contraction in the entity's profitability would have a negative impact on the entity's coverage indicators.

AVTN's operating income rose by 7.5% YoY to around Rs. 556 crore in FY2025, driven by higher revenue from marigold oleoresins. However, the operating margin (OPM) of the company moderated to an extent in FY2025, primarily due to the softening of realisations of spice oils and oleoresins, beverages, and animal nutrition products, and ICRA does not foresee any material improvement in the OPM in the near to medium term. Although AVTN's topline witnessed a 29% growth in H1 FY2026 on a YoY basis, the full-year growth may be limited due to the impact of reciprocal tariffs imposed by the US, which are affecting demand. Nevertheless, the withdrawal of the US tariff on beverages in November 2025 will benefit AVTN.

High revenue visibility owing to strategic agreements with key customers – AVTN has entered into a long-term strategic agreement with one of its key customers, Kemin Industries, for the exclusive supply of its marigold oleoresins. Further, it maintains established relationships with its large customers, which translate into repeat orders, provide a high degree of revenue visibility, and lend stability to operations.

Experienced promoters and management team – The company is a part of the A.V. Thomas Group of Companies, which has a long track record across diversified businesses including agricultural commodities, tea, solvent extraction, leather, rubber, etc. Further, the company's management has extensive experience of over 30 years in the industry.

Credit challenges

High revenue concentration – AVTN is exposed to high customer concentration risk, as the company's top 5 customers accounted for more than 80% of its revenues over the past few years. However, long and established relationships with major customers having adequate credit profiles, coupled with exclusive supply agreements with one of its key customers, aid in mitigating the revenue concentration risk to an extent, and the delinquency risk also remains limited.

Vulnerability of revenues and margins to fluctuations in commodity prices and foreign exchange rates – The company's key raw materials are agricultural commodities, including marigold, tea, pepper, paprika, capsicum, etc., which exhibit high price volatility, and the company's operations and margins remain susceptible to prevailing agro-climatic conditions. Although backward integration in marigold provides some control over prices for this product segment, the company continues to depend on market prices for other commodities. Further, its earnings are vulnerable to fluctuations in foreign exchange rates, as AVTN is an export-oriented unit (exports accounted for around 93% of AVTN's sales in FY2025). However, the company has a stated forex hedging policy and covers around 50% of its receivables to minimise risks.

High working capital intensity of operations – Historically, AVTN's working capital intensity has remained high, and the same increased materially to around 65% in FY2025 from 53% in FY2024, driven by an increase in inventory holding and high receivables. Seasonal availability of raw materials necessitates higher stock levels at the end of the procurement season for marigold and spices, which also has a bearing on inventory holding at year-end. Despite high stock levels, demand and price risks are limited to an extent because of order-backed procurement of marigold and spices.

Environmental and social risks

Environmental considerations – Entities involved in the processing of agricultural commodities, including AVTN, are exposed to physical climate risks, given that the supply of their key inputs depends on monsoons. The process of extraction of natural ingredients leaves behind water and agricultural waste. Any tightening of waste control norms could lead to significant investment requirements for the company, affecting its financial position and liquidity.

Social considerations – AVTN’s exposure to social risks is generally not material. However, the company depends on a large number of farmers for sourcing raw materials. Supporting farmers by providing them with quality seeds and training in agricultural techniques are important factors in mitigating the risks associated with the supply of the desired quality of raw materials for the company.

Liquidity position: Strong

AVTN’s liquidity remains strong, with a positive fund flow from operations of more than Rs. 45.0 crore in FY2025, along with sizeable cash and equivalents of more than Rs. 170 crore (excluding encumbered cash) and a buffer from undrawn working capital facilities of around Rs. 15.6 crore (with commensurate drawing power) as on March 31, 2025. Against this, the company is projected to have minimal long-term repayment obligations of Rs. 3.2 crore in FY2026 and Rs. 1.6 crore in FY2027. Further, the company has a nominal capex plan of Rs. 15-20 crore annually in FY2026 and FY2027, which will be fully funded through internal accruals. Although the company’s cash flow from operations turned negative in FY2025 due to a significant increase in working capital requirements, ICRA expects the same to turn positive in the current fiscal. The average utilisation of working capital limits has remained moderate, with an average utilisation of 70% for the 7-month period ending October 31, 2025, which further provides comfort.

Rating sensitivities

Positive factors – The long-term rating could be upgraded if the scale of operations and earnings continue to register a sustained growth and the business profile becomes more diversified. Specific credit metrics that could result in a rating upgrade include return on capital employed (RoCE) above 20% on a sustained basis.

Negative factors – Pressure on the ratings could arise if there is continued pressure on earnings and/or any further increase in the working capital intensity of operations and/or any large capex/ acquisitions adversely impacting the liquidity profile and/or credit metrics could also result in ratings downgrade. Specific credit metrics that could result in a ratings downgrade include an interest cover below 7.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of AVTN as detailed in Annexure II.

About the company

Incorporated in 1986, AVT Natural Products Limited (AVTN) is a producer and marketer of plant-based extracts and solutions for food and nutraceuticals industries. It is an export-oriented unit with a product portfolio, including marigold extracts, spice oils and oleoresins and beverages. It has processing facilities in Kerala and Karnataka. AVTN is a part of the larger A.V. Thomas Group of Companies, which has diversified business interests across agricultural commodities, tea, solvent extraction, leather, rubber and spices, among others. AVTN is listed on BSE and NSE with a market capitalisation of more than Rs. 1,000 crore as on March 31, 2025.

Key financial indicators (audited)

AVTN (Consolidated)	FY2024	FY2025	H1 FY2026*
Operating income	517.4	556.1	292.7
PAT	53.3	48.2	25.4
OPBDIT/OI	15.4%	12.7%	10.5%
PAT/OI	10.3%	8.7%	8.7%
Total outside liabilities/Tangible net worth (times)	0.3	0.5	0.5
Total debt/OPBDIT (times)	0.5	1.6	1.6
Interest coverage (times)	11.4	7.4	8.2

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; *Unaudited numbers

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	Type	Current ratings (FY2026)		Chronology of rating history for the past 3 years		
		Amount rated (Rs. crore)	Dec 22, 2025	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023
				Sept 30, 2024	Jun 12, 2023	-
1 Term loans	Long-term	4.15	[ICRA]A+(Stable)	[ICRA]A+(Stable)	[ICRA]A+(Stable)	-
2 Cash credit	Long-term	95.00	[ICRA]A+(Stable)	[ICRA]A+(Stable)	-	-
3 Non-fund based limits	Short-term	15.33	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-
4 Unallocated limits	Long-term/ short-term	-	-	[ICRA]A+(Stable)/ [ICRA]A1+	-	-
5 Cash credit	Short-term	-	-	-	[ICRA]A1+	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund based – Term loans	Simple
Long-term – Fund based – Cash credit	Simple
Short-term – Non-fund based limits	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	Term loans	FY2023	8-10%	FY2029	4.15	[ICRA]A+(Stable)
NA	Cash credit	NA	8-10%	NA	95.00	[ICRA]A+(Stable)
NA	Non-fund based limits	NA	NA	NA	15.33	[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

Company name	AVTN's Ownership	Consolidation approach
AVT Natural Europe Limited, UK (formerly known as AVT Tea Services Limited)	100%	Full consolidation
AVT Natural S.A. DE C.V, Mexico	100%	Full consolidation
AVT Natural North America Inc., USA (100% subsidiary of AVT Natural Europe Limited, UK)	100%	Full consolidation
AVT Natural FZCO, Dubai	100%	Full consolidation

Source: Company

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