August 13, 2026

The Andhra Petrochemicals Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial Sector Regulator#
Long term – Fund-based – Working capital facilities	35.00	35.00	[ICRA]BBB+ (Negative); reaffirmed	RBI
Short term – Non-fund based – Working capital facilities	2.00	2.00	[ICRA]A2+; reaffirmed	RBI
Long term – Unallocated limits	57.18	57.18	[ICRA]BBB+ (Negative); reaffirmed	RBI
Total	**94.18**	**94.18**		

**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 Andhra Petrochemicals Limited (APL) informed the stock exchange on August 4, 2026 that operations at its Visakhapatnam plant resumed from August 5, 2026, following the easing of temporary constraints in raw material availability and the restoration of normal supply levels. Earlier, the company had suspended plant operations with effect from March 17, 2026, after Hindustan Petroleum Corporation Limited (HPCL) discontinued the supply of propylene, the key raw material, amid disruptions arising from the ongoing West Asia conflict.

The ratings reaffirmation continues to factor in APL's established track record in manufacturing oxo-alcohols in India and its financial risk profile, which is characterised by a robust capital structure. The company's long-term debt is nil, and its working capital utilisation is minimal. Its liquidity profile has remained strong, with healthy cash and cash equivalents and investments totalling ~Rs. 353 crore as on March 31, 2026. ICRA also notes that there are only three major players in the domestic oxo-alcohol market with Bharat Petroleum Corporation Limited (BPCL) and Indian Oil Corporation Limited (IOCL) being the other players. ICRA further notes that APL is a part of The Andhra Sugars Group.

The ratings remain constrained by APL's weak profitability and the exposure of its profitability to the fluctuation in the spread between oxo-alcohols and feedstock. Moreover, it has dependence on a single supplier (HPCL) for the key raw material, propylene. However, ICRA notes that in the last three years, in times of requirement and healthy margins, the company procured the raw material from BPCL-Kochi and Gas Authority of India Limited (GAIL)-Pata, though at a higher cost, which provides some diversification.

The company's earlier proposed sizeable capital expenditure (capex) plans to set up facilities for the production of value-added products have been put on hold until there is a sustained improvement in the global scenario. It has minimal capex plans in the near term, to be funded by internal accruals.

The Negative outlook on APL's long-term rating reflects the pricing pressure on its products owing to excess supply and low demand globally for oxo-alcohols.

Key rating drivers and their description

Credit strengths

Favourable long-term demand outlook for various end user sectors - APL was the sole producer of oxo-alcohols in India till March 2021. The domestic capacity for oxo-alcohols increased with BPCL setting up a manufacturing facility that became operational in April 2021. IOCL also started the production of N-Butanol around February-March 2025. APL's products are mainly used by the domestic manufacturers of di-octyle phthalate (DOP), which is used as a plasticiser to manufacture polyvinyl chloride (PVC) compounding. The long-term demand potential for PVC compounding in India remains favourable.

Healthy capital structure – The capital structure remains healthy with no long-term debt as on March 31, 2026 and minimal working capital debt utilisation levels in FY2025 and FY2026. The gearing is comfortable at 0.2 times as on March 31, 2026. A major portion of the debt comprises lease liabilities.

Promoted by ASL; around six decades of operating history of Group – APL is a part of The Andhra Sugars Group. The flagship entity, The Andhra Sugars Limited (ASL; rated [ICRA]A+(Stable)/[ICRA]A1+), has an operational history of around six decades and a strong credit profile.

Credit challenges

Weak profitability; margins remain susceptible to volatility in spread between oxo-alcohols and feedstock – The operating margins were impacted and slipped into the negative in FY2025 and FY2026 from 10.7% in FY2024 as cheaper imports pulled down the product prices and narrowed the spread between oxo-alcohols and feedstock. APL is a standalone manufacturer without backward-integration benefits and its margins are susceptible to the volatility in global prices (spread between product and feedstock prices), intense competition from imports, changes in duty structure/trade protection measures such as Anti Dumping Duty, the import pattern of end-user segments and substitute products. ICRA also notes the cost control measures adopted in the last few years, the ADD on imports and other favourable regulatory measures, which will mitigate the impact of volatility in the spread to some extent.

Vulnerable to force majeure risk with high dependence on a single feedstock supplier – APL is dependent on a single source, HPCL, for the supply of its key feedstock, propylene. The company's operations are periodically impacted by the disruption in feedstock supplies, resulting in lower capacity utilisation. It has been able to achieve some supplier diversification in the last three years by procuring propylene from BPCL's refinery at Kochi and naphtha from GAIL-Pata. Although the cost of procurement from BPCL and GAIL is higher due to the freight cost, it will partly mitigate the supplier concentration risk.

Environmental and Social Risks

Given the safety and environmental concerns associated with chemicals, the industry is exposed to the risk of tightening regulatory norms for the production, handling, disposal and transportation of chemical products. Further, in the event of accidents, the litigation risks and the liabilities for clean-up could be high. While APL has a demonstrated track record of running its operations safely, the nature of the risk (being low frequency-high impact) weighs on its ratings.

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 company's ability to operate or expand the capacity. APL hasn't experienced/reported any incident suggestive of safety lapses at its manufacturing facilities over the past several years, and its ability to maintain the manufacturing controls would be a monitorable. The company follows strong safety practices at the plant and has received various awards from the National Safety Council and Federation of Indian Chambers of Commerce and Industry towards the same.

Liquidity position: Strong

The company's liquidity profile has been Strong, supported by healthy unencumbered cash and cash equivalents of ~Rs. 353 crore as on March 31, 2026. Its liquidity position is likely to remain strong due to the anticipated positive cash accruals, nil debt repayments and minimal capex expected of Rs. 5-8 crore per annum, which will be funded from existing cash balances.

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 the company improves its profitability, while maintaining healthy capital structure, coverage indicators and liquidity.

Negative factors – Pressure on the ratings could arise if there is an inability to improve profitability. Any major debt-funded capex or a stretch in the working capital cycle weakening the liquidity will also impact the ratings.

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 the company.

About the company

The Andhra Petrochemicals Limited (APL), promoted by ASL, was incorporated on April 18, 1984. At present, APL, BPCL and IOCL are the producers of oxo-alcohols in India. The company has a manufacturing capacity of 73,000 tonnes per annum (TPA). The product mix includes 2EH, NBA and isobutanol (IBA). Oxo-alcohol is primarily used as a raw material to manufacture PVC plasticisers. It commenced operations from February 1994. APL's factory is located adjacent to HPCL's Visakhapatnam refinery, with which it has entered into a long-term contract to procure propylene, the key raw material in the manufacturing process.

Key financial indicators (audited)

APL (standalone)	FY2025	FY2026	Q1FY2027*
Operating income (OI)	501.9	455.8	14.1
PAT	-18.1	-15.7	-3.3
OPBDITA/OI	-4.6%	-4.5%	-37.0%
PAT/OI	-3.6%	-3.4%	-23.1%
Total outside liabilities/Tangible net worth (times)	0.3	0.2	-
Total debt/OPBDITA (times)	-3.7	-4.1	-
Interest coverage (times)	-2.5	-2.3	-2.2

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation; *results*

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					
			FY2027		FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Working capital facilities	Long term	35.00	Aug 13, 2026	[ICRA]BBB+ (Negative)	Aug 18, 2025	[ICRA]A- (Negative)	Sep 12, 2024	[ICRA]A- (Stable)	Aug 04, 2023	[ICRA]A- (Stable)
					Feb 05, 2026	[ICRA]BBB+ (Negative)				
					Mar 26, 2026	[ICRA]BBB+ (Negative)				
Non-fund based – Working capital facilities	Short term	2.00	Aug 13, 2026	[ICRA]A2+	Aug 18, 2025	[ICRA]A2+	Sep 12, 2024	[ICRA]A2+	Aug 04, 2023	[ICRA]A2+
					Feb 05, 2026	[ICRA]A2+				
					Mar 26, 2026	[ICRA]A2+				
Unallocated limits	Long term	57.18	Aug 13, 2026	[ICRA]BBB+ (Negative)	Aug 18, 2025	[ICRA]A- (Negative)	Sep 12, 2024	[ICRA]A- (Stable)	Aug 04, 2023	[ICRA]A- (Stable)
					Feb 05, 2026	[ICRA]BBB+ (Negative)				
					Mar 26, 2026	[ICRA]BBB+ (Negative)				

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term – Fund-based – Working capital facilities	Simple
Short term – Non-fund based – Working capital facilities	Simple
Long term – Unallocated limits	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	Cash credit	NA	NA	NA	35.00	[ICRA]BBB+ (Negative)	RBI
NA	Letter of credit/Bank guarantee	NA	NA	NA	2.00	[ICRA]A2+	RBI
NA	Unallocated limits	NA	NA	NA	57.18	[ICRA]BBB+ (Negative)	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 – Not applicable

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