September 11, 2026

Nitrex Chemicals India Limited: Rating upgraded

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Short term – Fund based - Export bill discounting	20.00	20.00	[ICRA]A1; upgraded from [ICRA]A2+	RBI
Short term - Interchangeable limits - Others	(20.00)	(20.00)	[ICRA]A1; upgraded from [ICRA]A2+	RBI
Total	**20.00**	**20.00**		

**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 that fall under the regulatory purview of financial sector regulators other than SEBI.

Rationale

The upgrade in the rating assigned to the bank lines of Nitrex Chemicals India Limited (NCIL/the company) factors in a consistent improvement in its scale of operations and operating margins over FY2025 and FY2026. The company's operating income grew ~26% year-on-year (YoY) in FY2026 (provisional), driven by a steady increase in both volumes and realisations in the nitrocellulose business, along with continued expansion of the EPC division, which contributed around 9% to the total revenue in FY2026. The operating margins improved significantly to ~20% in FY2025 and further to ~30% in FY2026 (provisional) from ~10% in FY2024. While the margins remained suppressed in FY2024 and FY2025 due to sizeable debt write-offs of legacy receivables in the EPC division, no such write-offs were reported in FY2026. Further, the favourable global demand-supply environment for nitrocellulose have supported a firming up of prices over the last 1-2 fiscals, which is expected to help the company sustain healthy operating margins, going forward.

The rating also favourably factors in the long and established track record of the company in manufacturing nitrocellulose in India. The company is the largest manufacturer of nitrocellulose in India and has reported a healthy growth in its scale of operations following the capacity expansion in FY2024, supported by robust demand for the product. The company is currently undertaking capex to increase its total production capacity to 30,000 MTPA[1] (15,000 MTPA each at the Jhagadia and Valsad facilities) from 24,000 MTPA at present. The rating also factors in the company's healthy financial risk profile, characterised by strong cash generation, low reliance on debt and a robust liquidity position.

ICRA notes that the company has merged the engineering procurement and construction (EPC) division of Jai Hind Projects Limited, as per the National Company Law Tribunal (NCLT) order dated August 8, 2024, and effective from April 1, 2023. Jai Hind Projects Limited was acquired by NCIL's group company under a resolution plan filed in NCLT in FY2019. The EPC division is engaged in providing job work services for setting up oil and gas pipelines across India. The division had an order book of ~Rs. 152 crore as on March 31, 2026, with an order book/OI ratio of ~2.5 times, providing healthy medium-term visibility. The EPC division contributed Rs. 38.1 crore to the revenue in FY2025 followed by ~Rs. 61.3 crore (provisional) in FY2026. The division is expected to witness a steady growth in revenue, given the lower scale of operations at present and healthy order inflows. While there have been non-cash write-offs (in FY2024 and FY2025) of long pending dues from some customers, the EPC division has not impacted NCIL's liquidity.

The rating is also constrained by the high competition the company faces from imported nitrocellulose, post the removal of the anti-dumping duty from July 2024. While NCIL has been able to maintain healthy profitability, it will remain susceptible to

[1] *Metric tonnes per annum*

the increased influx of low-cost imports. The rating continues to factor in the high dependence on creditor funding. However, the total outside liabilities/total net worth (TOL/TNW) remains comfortable due to the low external debt.

The rating is also constrained by the volatility in raw material prices and foreign exchange fluctuations as the company does not hedge its foreign currency exposure. While the company has to a large extent balanced imports and exports which provide a natural hedge, the timing difference between imports and exports can result in forex losses.

NCIL is also incurring a sizeable capex of around Rs. 100 crore to increase its production capacity, which is expected to be funded through internal sources. A capex of up to Rs. 40 crore has been incurred in FY2026, while the remaining will be completed in FY2027 and the capacity is expected to become operational in Q1 FY2028. The company will be exposed to project execution risks and the implementation of the project without major time and cost overrun will remain a key monitorable.

Key rating drivers and their description

Credit strengths

Extensive experience of directors and promoters in chemical industry - The company's management has an experience of nearly three decades in the chemical industry, which has been instrumental in forging relationships with its customers and suppliers. This has also helped diversify NCIL's market reach in the domestic and international markets.

Improvement in scale of operations – The company's scale of operations grew to Rs. 690 crore (prov.) in FY2026 from Rs. 548 crore in FY2025, supported by healthy demand for its products and the capacity expansion undertaken in FY2024. The profitability has increased at a healthy pace over the years, backed by growth in the scale of operations. Going forward, the planned capacity expansion in the chemical segment will help the scale of operations to rise sharply from FY2028. Meanwhile, the sizeable project execution in the EPC business in FY2027 will also support the growth in the scale of operations.

Comfortable capital structure and robust coverage indicators – The company's capital structure has historically remained healthy as it continues to have limited reliance on bank borrowings. The interest coverage and DSCR increased significantly to 433.43 and 328.2 times, respectively, in FY2026 (prov) compared with 58.33 times and 27.9 times, respectively, in FY2025 due to an improvement in profitability. The total debt/OPBITDA improved to nil as on March 31, 2026 (prov) compared with 0.17 times as on March 31, 2025.

Credit challenges

High dependence on creditor funding; TOL/TNW remains comfortable – The company is dependent on the credit period offered by suppliers for its key raw materials. The working capital requirements are largely funded through creditors with creditor days of 71 for FY2026 (provisional) against 101 days as on March 31, 2025. However, the TOL/TNW remains comfortable at 0.2 times as on March 31, 2026 (provisional) compared with 0.3 times as on March 31, 2025 due to its strong net worth base and low external debt, along with other liabilities.

Project execution risks - The company is carrying out a capex of Rs. 95-100 crore over FY2026 and FY2027 to increase the installed capacity at the Jhagadia plant and Valsad plant by 3,000 MT each by FY2027. This comes on the back of expectations of increased demand for nitrocellulose in both the domestic and export markets. The capex is to be funded from the current cash balance and internal accruals. The company will be exposed to project execution risks and the implementation of the expansion plan without major time and cost overrun will be crucial and monitored.

Volatility in raw material prices and forex fluctuations – The major raw materials for the company are wood pulp, raw cotton linters and concentrated nitric acid (CNA), typically comprising 60-65% of the total cost. The wood pulp is imported from China, while CNA is procured from Gujarat Narmada Valley Fertilisers & Chemicals (GNFC). Thus, the raw material prices remain susceptible to the global demand and supply dynamics. As wood pulp is imported from China, the company is inherently exposed to forex fluctuations although the export of nitrocellulose to European countries provides a natural hedge.

Elevated competition from imports – The anti-dumping duty imposed on the import of industrial grade nitrocellulose (10.7% -12.2%) from Thailand, Indonesia and Brazil expired in July 2024. This makes the domestic market susceptible to the increased inflow of low-priced imports due to excess installed production capacity in these countries.

Liquidity position: Adequate

NCIL's liquidity position is adequate with healthy fund flow from operations (FFO) over the last few years, availability of unutilised working capital limits, and cash and bank balance of ~Rs. 287 crore as on March 31, 2026, which is being held as fixed deposits and investments in corporate bonds. While the company has no major repayment obligation, it has capex plans of Rs. 90-100 crore over FY2026-FY2027 (of which ~Rs. 40 crore has been incurred in FY2026), which will be funded through internal accruals and cash and bank balance.

Rating sensitivities

Positive factors – ICRA is likely to upgrade NCIL's rating if the company exhibits a healthy growth in its scale of operations and profitability on a sustained basis, while effectively managing its working capital cycle, leading to an improvement in the financial risk profile and sustained healthy credit metrics.

Negative factors – Pressure on the rating could emerge if there is a significant moderation in the scale of operations or profitability on a sustained basis, or if there is a stretch in the working capital cycle, or if there is a large debt-funded capex that would weaken the liquidity profile or credit metrics.

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

About the company

NCIL was established on March 16, 2004, by ACTIS, a private equity organisation promoted by CDC PLC., UK, for taking over the nitrocellulose and trading business of ICI India Limited in a management buyout. As on date, the Lodha Group owns a 99.7% stake in the company through associate group companies, such as Nitrex Mauritius Limited, Sirius Financial Services Private Limited and Rasna Processors Private Limited. NCIL manufactures industrial grade nitrocellulose from wood pulp and bleached cotton linters with nitrogen content in the range of 10.7–12.2%.

Nitrocellulose, a film forming resin, is used in auto refinish paints, wood lacquers, printing inks, leather finishing lacquers, nail varnishes and other miscellaneous applications. It has two manufacturing units at Valsad (installed capacity of 12,000 MTPA) and Jhagadia (installed capacity of 12,000 MTPA), both in Gujarat. Its registered office is in New Delhi and its corporate office is in Ahmedabad (Gujarat).

The company also merged the EPC business in FY2024 which was earlier part of the group company - Jai Hind Projects Limited - and was demerged from the latter.

Key financial indicators

Standalone	FY2024	FY2025	FY2026
	Audited	Audited	Provisional
Operating income	532.0	548.5	689.7
PAT	60.7	99.6	209.6
OPBDITA/OI	10.2%	20.4%	30.5%
PAT/OI	11.4%	18.2%	30.4%
Total outside liabilities/Tangible net worth (times)	0.42	0.3	0.2
Total debt/OPBDIT (times)	0.85	0.17	0.00
Interest coverage (times)	42.87	58.33	433.43

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	FY2027			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount Rated (Rs Crore)	Sep 11, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based - Export bill discounting	Short term	20.00	[ICRA]A1	Jul 31, 2025	[ICRA]A2+	Apr 18, 2024	[ICRA]A2+	Jan 10, 2024	[ICRA]A2; ISSUER NOT COOPERATING
Interchangeable limits - Others	Short term	(20.00)	[ICRA]A1	Jul 31, 2025	[ICRA]A2+	Apr 18, 2024	[ICRA]A2+	Jan 10, 2024	[ICRA]A2; ISSUER NOT COOPERATING

Complexity level of the rated instruments

Instrument	Complexity indicator
Short term – Fund based - Export bill discounting	Simple
Short term - Interchangeable limits - Others*	Simple

**Sub-limit of export bill discounting facility*

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	**Export bill discounting facility**	NA	NA	NA	20.00	[ICRA]A1	RBI
NA	**Short term interchangeable – Others***	NA	NA	NA	(20.00)	[ICRA]A1	RBI

*Source: Company; *Sub-limit of export bill discounting facility*

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Annexure II: List of entities considered for consolidated analysis: Not applicable

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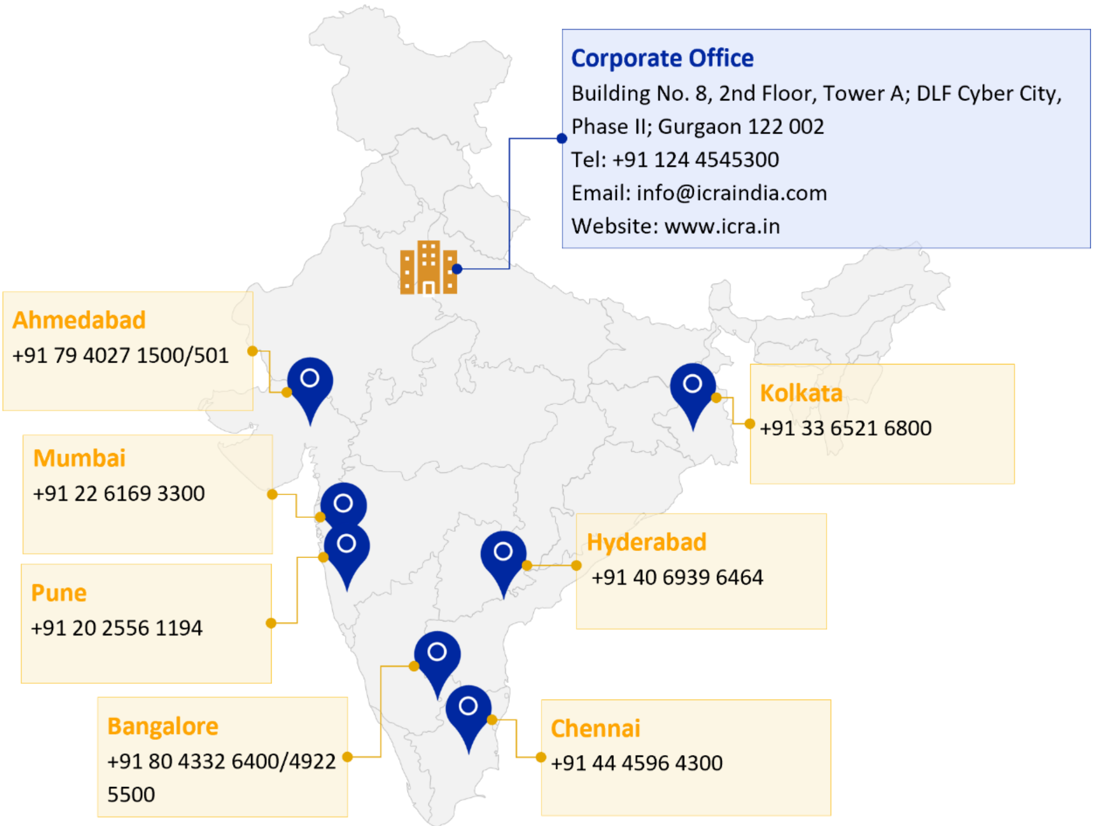

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