Kanoria Chemicals & Industries Limited

November 20, 2026

Rating Action

Total Bank Loan Facilities Rated	**Rs. 162.07 Crore**	**Regulator^**
Long Term Rating	**IVR BBB-/Positive (Rating reaffirmed; Outlook revised to Positive from Stable)**	**RBI**
Short Term Rating	**IVR A3 (Rating reaffirmed)**	**RBI**
^Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.		

Refer Annexures for details of facilities/instruments, facility wise lender details, and detailed explanation of covenants.

Note: *None of the Directors on Infomerics Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.*

Rationale

The reaffirmation of the ratings assigned to the bank facilities of Kanoria Chemicals & Industries Limited (KCIL) derive comfort from its established track record and experienced management, healthy growth in revenue and profitability, comfortable capital structure and established market position supported by diversified product profile. These ratings, are however, constrained by sizeable exposure to overseas subsidiary, susceptibility of profitability to volatility in methanol prices and exposure to intense competition and regulatory risks.

Outlook: Positive

The rating outlook on the long-term rating is revised to Positive from Stable reflecting the expected sustenance of the improved operating performance and profitability, supported by the strong H1FY27 (refers to the period April 01, 2026 to September 30, 2026) performance and stable demand prospects in the chemical industry.

Analytical Approach

Approach	Comments
Consolidation/ Standalone	Consolidation
Parent/ Group Support	Not applicable

List of companies considered for consolidation/combined analysis is given at Annexure 4.

Key Rating Drivers with Detailed Description

Strengths

- **Established track record and experienced management**

  KCIL has an established operating track record of over six decades in the chemicals industry, supported by an experienced promoter and professional management team. The company has developed established relationships with reputed customers and global suppliers. R V Kanoria, Chairman and Managing Director, manages the company's day-to-day affairs and has over three decades' experience in the business.

- **Healthy growth in revenue and profitability continues in H1FY27**

  KCIL's scale of operations witnessed healthy growth over the years, with consolidated TOI growing by 31% to Rs. 1000.37 crore in FY26 (refers to the period April 1, 2025 to March 31, 2026), driven by higher sales volume of formaldehyde and PF resins, improved realisations and increased methanol trading. The operating profitability also improved, with EBITDA margin increasing to 9.03% in FY26 from 5.63% in FY25 (refers to the period April 1, 2024 to March 31, 2025), supported by better operating performance. PAT remained healthy at Rs. 113.20 crore in FY26. The company continued to report healthy operating performance in H1FY27, where revenue stood at Rs. 827.88 crore with PAT of Rs. 49.08 crore, providing visibility on sustained improvement in its earnings profile.

- **Comfortable capital structure and debt coverage indicators**

  KCIL's capital structure remains healthy, supported by accretion to net worth and moderation in working capital borrowings. On a consolidated basis, gearing improved to 0.51x as on March 31, 2026, from 1.20x as on March 31, 2025. The capital structure is expected to remain comfortable over the medium term, supported by scheduled debt repayments and accretion to net worth through internal accruals. The debt protection metrics also remained comfortable, with interest coverage ratio of 2.82 times and total debt/NCA of 2.17 times as on March 31, 2026. Going forward, the debt protection metrics are expected to improve with the expected improvement in profitability and cash accruals.

- **Established market position supported by diversified product profile**

  KCIL has an established market position in the formaldehyde segment, with 5,03,200 MTPA capacity across three strategically located plants. The presence across multiple value-added chemical products and established clientele across the wood panel, paints and resin industries supports business stability. Customer concentration remains moderate, with the top five customers accounting for ~30% of TOI in FY26.

Weaknesses

- **Sizeable exposure to overseas subsidiary**

  KCIL's sizeable exposure to KAT, through equity, loans and receivables, remains a key credit concern. The exposure stood at Rs. 289.28 crore as on March 31, 2026, equivalent to 45% of standalone net worth of KCIL, besides a corporate guarantee of Rs. 188.72 crore (outstanding loan: Rs. 107.50 crore as on March 31, 2026). KAT continued to report losses and remains highly leveraged, although its operating performance has improved in recent quarters. The ability of KAT to achieve sustained improvement in profitability and reduce its dependence on KCIL remains a key monitorable.

- **Susceptibility of profitability to volatility in methanol prices**

  Methanol constitutes ~76% of KCIL's raw material cost and is largely imported, exposing profitability to volatility in global methanol and gas prices. Given the commoditised nature of formaldehyde and limited pricing power, the company remains susceptible to margin compression during periods of adverse raw material price movements.

- **Exposure to intense competition and regulatory risks**

  The company faces competition from domestic and imported products given the commoditised nature of its key products. Further, regulatory measures, including anti-dumping and countervailing duties on certain exports, could affect the competitiveness of the company's products in international markets.

Liquidity –Adequate

The liquidity profile remains adequate, supported by healthy cash accruals from operations. The consolidated current ratio stood at 0.98x as on September 30, 2026; and is expected to improve and remain above unity over the medium term. Consolidated free cash and bank balances of Rs. 5.55 crore provide additional liquidity cushion. Further, average utilisation of the combined fund-based and non-fund-based working capital limits remained moderate at around 62% during the twelve months ended July 2026, providing adequate headroom. The company is expected to generate sufficient cash accruals in FY27 to meet scheduled debt repayment obligations, including obligations arising from the corporate guarantee, thereby providing adequate cushion for debt servicing.

Rating Sensitivities

Upward Factors

- Sustained improvement in scale of operations and profitability, leading to improvement in debt protection metrics and liquidity

- Significant reduction in exposure to KAT (including the corporate guarantee) with overall gearing below 0.50x on a sustained basis

Downward Factors

- Moderation in revenue and/or EBITDA margin on a sustained basis impacting the gross cash accruals and debt protection metrics
- Further support to KAT beyond envisaged levels

About the Group

Kanoria Chemicals & Industries Limited (KCIL) forms part of Kanoria group. KCIL has one subsidiary, Kanoria Africa Textiles PLC, Ethiopia (KAT; yarn and denim), while APAG Holding AG, Switzerland (automotive electronics) ceased to be a subsidiary w.e.f. July 31, 2025 on issuance of fresh equity to strategic investors.

About the Company

Kanoria Chemicals & Industries Limited (KCIL), incorporated in 1960 and promoted by the Kolkata-based Kanoria family led by Shri R. V. Kanoria, is a listed company engaged in the manufacture of methanol-based chemicals, viz. formaldehyde, pentaerythritol, hexamine, phenol formaldehyde (PF) resins, sodium formate and acetaldehyde. The company operates three plants at Ankleshwar (Gujarat), Visakhapatnam and Naidupeta (Andhra Pradesh) with an aggregate capacity of 5,03,200 MTPA and also trades in methanol.

Key Financial Indicators (Consolidated):

For the year ended/ As on*	31-03-2025	31-03-2026	30-09-2025	30-09-2026
	Audited	Audited	Unaudited	Unaudited
Total Operating Income	764.77	1000.37	424.07	827.88
EBITDA	43.09	90.28	37.21	97.84
PAT	-108.15	113.20	78.03	49.08
Total Debt	595.14	291.29	327.37	221.01
Tangible Net Worth (TNW)	498.73	572.83	531.30	623.25
EBITDA Margin (%)	5.63	9.03	8.77	11.82
PAT Margin (%)	-14.03	11.28	18.40	5.93
Overall Gearing (times)	1.19	0.51	0.62	0.36
Interest Coverage (times)	1.39	2.82	2.33	7.40

**Classification as per Infomerics' standards; Amount in Rs. Crore; Source: Company*

Key Financial Indicators (Standalone):

For the year ended/ As on*	31-03-2025	31-03-2026	30-09-2025	30-09-2026
	Audited	Audited	Unaudited	Unaudited
Total Operating Income	680.77	892.10	393.06	771.81
EBITDA	41.79	71.43	40.45	86.55
PAT	-37.98	34.41	1.83	49.64
Total Debt	196.97	182.86	209.33	126.52
Tangible Net Worth (TNW)	601.13	638.07	602.95	687.98
EBITDA Margin (%)	6.14	8.01	10.29	11.21
PAT Margin (%)	-5.48	3.81	0.47	6.43
Overall Gearing (times)	0.33	0.29	0.64	0.32
Interest Coverage (times)	2.60	3.67	4.02	10.63

**Classification as per Infomerics' standards; Amount in Rs. Crore; Source: Company*

Applicable Criteria

Rating Methodology for Manufacturing Companies

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria of Rating Outlook

Policy on default recognition

Complexity level of rated Instruments/Facilities

Consolidation of Companies

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years

Sr. No.	Instruments / Facilities	Current Ratings (Year 2026-27)				Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Rating	Date(s) & Rating(s) assigned in 2025-26	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24
					October 08, 2026	-	-	-
1	Fund based facilities	LT/ ST	117.07	IVR BBB-/ Positive/ IVR A3	IVR BBB-/ Stable/ IVR A3	-	-	-
2	Non-fund based facilities	ST	45.00	IVR A3	IVR A3	-	-	-

Annexure 1: Instrument/Facility Details

Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned / Outlook	Listing Status	Regulator^	Complexity Indicator
Term Loan I	NA	NA	NA	August 2027	7.41	IVR BBB-/ Positive	NA	RBI	Simple
Term Loan II	NA	NA	NA	December 2031	58.66	IVR BBB-/ Positive	NA	RBI	Simple
Cash Credit I	NA	NA	NA	-	10.00*	IVR BBB-/ Positive	NA	RBI	Simple
Cash Credit II	NA	NA	NA	-	20.00#	IVR BBB-/ Positive	NA	RBI	Simple
Cash Credit III	NA	NA	NA	-	1.00	IVR BBB-/ Positive	NA	RBI	Simple
WCDL	NA	NA	NA	-	20.00	IVR A3	NA	RBI	Simple
Letter of Credit I	NA	NA	NA	-	30.00**	IVR A3	NA	RBI	Simple
Letter of Credit II	NA	NA	NA	-	15.00##	IVR A3	NA	RBI	Simple

^Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.
*WCDL is sublimit of cash credit
#WCDL and FCDL is sublimit of cash credit
**Bank guarantee Rs. 4.50 crore and WB-SBLC Rs. 30.00 crore is sublimit of letter of credit
##SBLC Rs. 15.00 crore and Bank Guarantee Rs. 5.00 crore is sublimit

Annexure 2: Facility wise lender details:

https://infomericstorage.blob.core.windows.net/uploads/Len_Kanoria_Chem_and_Ind20_Nov26_7521bfa1f9.pdf

Annexure 3: Detailed explanation of covenants of the rated security/facilities: NA

Annexure 4: List of companies considered for Consolidated/Combined analysis:

Name of the Company	Extent of Consolidation	Consolidation Approach
Kanoria Chemicals & Industries Limited	Full	Holding Company
Kanoria Africa Textiles PLC, Ethiopia	Full	Wholly owned Subsidiary

Annexure 5: List of activities / instruments and names of regulators

Sr. No.	Instrument / activity Name	Regulator of the instrument
1	Listed/Proposed to be listed bonds/debentures/preference share (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI)* $	RBI
4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI)*	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI)*	RBI

Sr. No.	Instrument / activity Name	Regulator of the instrument
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/FIs ^	RBI
9	External Commercial Borrowings and other similar borrowings	RBI
10	Certificates of Deposit	RBI
11a	Fixed Deposits raised by NBFCs, HFCs, FIs	RBI
11b	Fixed Deposits raised by Banks	+
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Borrowing programme ~	-
15	Issuer Ratings #	-
16	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
17	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18	Listed Security Receipts $	RBI
19	Unlisted Security Receipts	RBI
20	Independent Credit Evaluation (ICE)	RBI
21	Expected Loss Ratings (for Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/Fis)	+
22	Expected Loss Ratings (Listed/Proposed to be listed bonds/debentures/preference share (all securities))	SEBI
23	Expected Loss Ratings (Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities))	MCA
24	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) *	Investor-side regulator such as IRDAI, PFRDA @

Footnotes:

** Includes securitisation transactions involving assignee payout, acquirer's payout.*

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In PRs subsequent to issuance(s), Infomerics Valuation and Rating Limited shall separately capture the rated quantum details along with names of respective regulators.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

 # There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

@ These ratings were assigned during regulatory regime prior to introduction of SEBI CRA Circular dated Feb 10, 2026 and the investor side regulators have accordingly been included.

$ By virtue of the instrument being listed, SEBI acts as the regulator for listing and related issues.

+ To be finalized following a discussion with the regulatory authorities.

Note: *For activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.*

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