

Manali Petrochemicals Ltd — 26 Dec 2024 Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	Reaffirmed / Assigned (CARE A+; Stable / CARE A1+). No notch movement.
Outlook	Stable (Current) vs Stable (Previous)
Key Drivers of Change	<ol style="list-style-type: none"> Profitability Crash: EBITDA collapsed from ₹528 Cr (FY22) to ₹47 Cr (FY24) due to 20% drop in realisations; testing operational resilience. Import Dumping: Resurgence of cheap imports from China/global majors (Dow, BASF) stripped MPL of pricing power. Subsidiary Cushion: UK-based specialty chemical subsidiaries increased TOI contribution to 23% (vs 13% PY), offsetting standalone domestic weakness. Fortress Balance Sheet: Despite margin erosion, overall gearing remains ultra-low at 0.11x with ₹348.49 Cr free cash.
Rated Instruments	<ol style="list-style-type: none"> Term Loan: ₹50 Cr (CARE A+; Stable) Cash Credit: ₹25 Cr (CARE A+; Stable) WCDL: ₹25 Cr (CARE A+; Stable / CARE A1+) Letter of Credit: ₹25 Cr (CARE A1+)
Key Observations	<p>Positives:</p> <ul style="list-style-type: none"> Sole domestic producer of Propylene Glycol (PG) in India. Strategic expansion: ₹140 Cr capex in PG and Polyester Polyol to increase market share by FY26. Diversified end-users (Pharma, Auto, Food) limits single-sector risk. <p>Risks:</p> <ul style="list-style-type: none"> Polyol sales volumes plunged 72% in H1FY25 vs H1FY24. High raw material volatility (Propylene/PO) linked to crude prices. 30 unresolved employee complaints regarding health and safety (ESG risk).
Investor Impact	<p>Growth: Stagnant until FY26 capacity commissioning.</p> <p>Margins: Under severe pressure (EBITDA margin ~4.5% in FY24 vs ~31% in FY22).</p> <p>Leverage: Minimal; expansion funded largely by internal accruals/low debt.</p> <p>Dilution Risk: Extremely low given the ₹348 Cr cash pile.</p>
Agency / Cross Analysis	<p>Same Agency: CARE maintained the A+ rating despite a ~90% drop in PAT since FY22. This indicates the rating is heavily anchored to the company's Net-Debt Free status and Liquidity rather than its P&L performance.</p> <p>Conclusion: Improvement in business mix (Specialty % up) but Deterioration in core earnings power.</p>
Final Inference	MPL is a liquidity-backed recovery play . The credit rating is protected by a massive cash hoard, but equity upside is capped by Chinese dumping. Watch for FY26 capacity completion as the primary re-rating trigger.