Sadhana Nitro Chem Limited (SNCL)
July 11, 2025

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Term Loans	60.94	IVR D (IVR Single D)	IVR BBB-/RWNI (IVR Triple B Minus on Rating Watch with Negative Implication)	Rating downgraded	simple
Long Term Fund Based Bank Facilities – Cash Credit & Export Finance	57.50	IVR D (IVR Single D)	IVR BBB-/RWNI (IVR Triple B Minus on Rating Watch with Negative Implication)	Rating downgraded	simple
Short Term Fund Based Bank Facilities – EPC	3.00	IVR D (IVR Single D)	IVR A3/RWNI (IVR A Three on Rating Watch with Negative Implication)	Rating downgraded	simple
Total	**Rs.121.44 Crore (One hundred twenty-one crore and forty-four lakh)**				

Details of Facilities are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has downgraded the ratings of the bank facilities of Sadhana Nitro Chem Limited to IVR D. The downgrade to default category is on account of non-payment of term loan instalments of a lending Bank for the month of May 2025 and June 2025.

Infomerics notes that the company has provided No Default Statement for the month of May 2025 in which there was no mention of any delay in debt servicing to any lender. It is also noted that the feedback from lenders in June 2025 regarding status of debt servicing till May 2025 was satisfactory. However, the latest written feedback received from one lender bank on July 09, 2025 states that the term loan instalments due in May 2025 and June 2025 have not been paid.

Key Rating Sensitivities:

Upward Factors

Timely servicing of debt for more than 90 days from the first date of regularization.

List of Key Rating Drivers with Detailed Description

Key Rating Weaknesses

Delays in Debt Servicing

The term loan instalments of May 2025 and June 2025 of a lending bank as confirmed by the banker has not been paid. The same is confirmed by the banker through email dated 09 July 2025.

Sharp revenue decline in FY25 and uncertainty with regard to resumption of PAP operations

SNCL reported a 29.4% yoy revenue decline in FY25 due to lower sales across product segments and the management's decision to not operate the augmented 6000 tpa capacity for PAP during the second half of the year, given the imports of the same at competitive prices on account of which the company's gross margins for this product were expected to be depressed. The PAP plant was also not operational during H1FY25 as the capacity was being enhanced to 6000 tpa, which was achieved in September 2024. There continues to be uncertainty with regard to when the production would be resumed. The agency notes that another factor contributing to lower revenue in FY25 was a fire incident in the chemical storage area of the plant in Roha in September 2024, which resulted in deaths of a few contract workers as well as injuries to additional workers. While this incident did not impact production capacity as the chemical plants were not damaged, the operations in second half were affected to some extent due to local agitation and inspection by regulatory authorities.

Infomerics notes the improvement in the EBITDA margins in FY25 to 29.37% from 23.45% the previous year, driven by higher profitability on products such as ODB2 and MAP for which the company is witnessing steady demand growth. However, the revenues from products continue to be significantly lower than the revenues generated from PAP the previous year.

Profitability exposed to volatility in raw material prices as well as finished goods.

Both changes in the price of raw materials and finished goods can affect profitability. Sulphuric Acid, Benzene, and Caustic Soda are some of the main raw ingredients, and raw material costs represent roughly 45–50% of total sales. Any unfavorable change in the price of raw materials can influence profitability. In FY24 and in current year, there has been dumping of PAP in the Indian market by Chinese manufacturers leading to depressed prices.

Working capital intensive operations

SNCL's activities are working capital intensive, as evidenced by a high operating cycle. The extended inventory holding and receivable days are the main causes of this. The inventory days were 437 at the end of FY25, increased from 257 days at end FY24. High inventory days are attributed to the need to maintain inventory in the UK and European markets to be able to supply clients on a Just in Time basis. Further, the collection period stood high at 381 days as at end FY25 as against 218 days as at end FY24; however, this is attributed to the company reporting large revenues in March, leading to high debtors at year end. The working capital position at end FY25 was supported to an extent by extension of creditors to 151 days as compared to 82 days at end of FY24.

Key Rating Strengths

Diverse geographical presence

The company is active in both the domestic as well as in foreign markets. In FY24, India contributed around 61% of overall sales, with about 39% coming from the 21 different foreign markets. The Netherlands, Thailand, the United States, Belgium, Switzerland, China, and Japan are SNCL's principal international markets.

Capacity expansion and diversification of product portfolio expected to drive future revenues

The company has gained expertise in manufacturing several downstream derivatives of Nitrobenzene such as Meta Amino Phenol (MAP), Para Amino Phenol (PAP), Aniline 2,5 Di Sulphonic Acid, ODB2 Colourformer along with other products. The products of the company have diverse uses and applications in several industries ranging from paper, pharmaceutical, agro chemicals, thermal dyes, light stabilizer, aerospace, industrial adhesives, and hair dyes etc.

To cater to the demand across the product segments, the company is expanding its manufacturing facility. The company has already started production through its first plant of Para Amino Phenol (PAP) of capacity 3000 TPA which has been expanded to 6000 TPA as on date, and which will be in course of time expanded to 36000 TPA.

The addition of PAP product will provide SNCL strong advantage over overseas counterparts as it will be produced in India at relatively lower rates and the manufacturing process will be environment friendly. Most overseas manufacturers produce PAP from Para Nitro Chlorobenzene which is a highly polluting manufacturing process and where the level of impurities in the final product is quite high. In contrast, SNCL uses a unique and complex production process whereby PAP is produced from Nitrobenzene where the final output is of high purity and the process does not entail much pollution. Total project cost is Rs.265 crore out of which Rs.163.69 crore has already been invested as on August 31,2024.

Advantage of backward integration into manufacturing of various specialty chemicals from basic raw material – Benzene

SNCL's basic raw material is Benzene, which it converts to Nitrobenzene using a unique process. Nitrobenzene is captively consumed to produce Meta Aminophenol which is the base chemical which can be used for producing around 12 different products, one of which is ODB2, which is used as a coating chemical in the production of thermal paper. SNCL also uses Nitrobenzene to produce Para Aminophenol (PAP) which is a key ingredient in the production of paracetamols. SNCL's production processes involve the use of complex chemistry to ensure significantly lower pollution levels compared with conventional production methods used by most international peer companies. Its production processes also result in superior quality products with low impurity levels.

The company is in the process of setting up an MMDPA plant. MMDPA is an intermediate required for manufacturing ODB2. MMDPA is currently partly sourced locally and partly imported from China. Once MMDPA capacity is in place, the company's production process will become 100% fully backward integrated and will result in cost saving. As estimated by the company, with in-house MMDPA production, it will save an amount of US$2 (Rs.166) per Kg of ODB2 manufactured.

Long track record of operations with experienced promoters

The company has more than four decades of experience in the specialty chemical business. Over the years it has been able to create a global presence on account of its focus on R&D and quality processes. It has a manufacturing facility at Roha, MIDC. It is listed on the BSE. Mr. Asit Javeri (Executive Chaiman) has been associated with the company for more than 38 years. Prior to joining the company, he had experience of 10 years of running a chemical company. Mr. Abhishek Javeri (Managing Director) has experience of 15 years in the chemical industry and has been associated with the company since 2007. Longstanding presence of the promoters and directors in the industry has helped the company to establish strong relationships with customers and suppliers, diversify the product profile, and expand capacity.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)
[Financial Ratios & Interpretation (Non- Financial Sector)](#)
[Criteria of assigning Rating Outlook.](#)
[Policy on Default Recognition](#)
[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Poor

SNCL is currently facing tightening liquidity position as reflected in ongoing delays to its lenders and almost full utilisation of its working capital lines for 12 months ended 30th June 2025.

About the Company

Sadhana Nitro Chem Ltd (SNCL) is 50 years old publicly listed, Mumbai based company manufacturing specialty chemical intermediates, predominantly for overseas markets. SNCL has its manufacturing facility located in Roha MIDC (Maharashtra Industrial Development Corp), SNCL core strength lies in manufacture of several downward derivatives of Nitrobenzene such as Meta Amino Phenol, Para Amino Phenol, Aniline 2,5 Di sulphonic Acid, ODB2 Colour former along with other products.

Financials Standalone

(Rs. crore)

For the year ended/ As on*	31-03-2024	31-03-2025@
	Audited	Audited
Total Operating Income	188.86	133.37
EBITDA	44.29	39.17
PAT	7.41	5.22
Total Debt	220.72	235.16
Tangible Net Worth	232.29	281.01
EBITDA Margin (%)	23.45	29.37

For the year ended/ As on*	31-03-2024	31-03-2025@
PAT Margin (%)	3.84	3.84
Overall Gearing Ratio (x)	0.95	0.83
Interest Coverage (x)	2.57	2.24

** As per Infomerics Standard*
@ As per Summary Audited Financials for FY25.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2025-26	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in in 2023-24
Press Release			July 11,2025		July 04,2025	November 27, 2024	September 12,2024
1.	Long Term Fund Based Bank Facilities – Term Loans	Long Term	60.94	IVR D	IVR BBB-/RWNI	IVR BBB/Negative	IVR BBB/Stable
2.	Long Term Fund Based Bank Facilities – Cash Credit & Export Finance	Long Term	57.50	IVR D	IVR BBB-/RWNI	IVR BBB/Negative	IVR BBB/ Stable
3.	Fund Based Bank Facilities – EPC	Short Term	3.00	IVR D	IVR A3/ RWNI	IVR A3+	IVR A3+

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Term Loans	--	--	--	60.94	IVR D
Long Term Fund Based Bank Facilities – Cash Credit & Export Finance	--	--	--	57.50	IVR D
Short Term Fund Based Bank Facilities – EPC	--	--	--	3.00	IVR D

Annexure 2: Facility wise lender details
https://www.infomerics.com/admin/prfiles/Len-Sadhana-NitroChem-11july25.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.