

30th March 2026

To,
The Manager
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400001

Ref.: Scrip code: 530845

Sub.: Intimation under Regulation 30 of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 - Credit Rating

Dear Sir/ Madam

In accordance with Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, we hereby submit the credit rating assigned by India Rating & Research Private Limited:

Facilities	Rated Amount	Credit Rating by India Rating & Research Private Limited	Rating Action
Bank Loan Facilities	Rs. 45.00 crores (reduced from Rs. 100.00 crores)	IND BBB+/Stable/IND A2+	Long-term rating affirmed; short-term rating upgraded

A copy of the rating communication received from India Rating & Research Private Limited is enclosed herewith.

This is for your information and record.

Yours faithfully,
For Sunshield Chemicals Limited

Amit Kumashi
Company Secretary



India Ratings Affirms Sunshield Chemicals's Bank Facilities' Long-Term Rating at 'IND BBB+'/Stable; Upgrades Short-Term Rating to 'IND A2+'

Mar 30, 2026 | Sunshield chemicals Limited | Specialty Chemicals

India Ratings and Research (Ind-Ra) has affirmed Sunshield Chemicals Limited's (SCL) bank facilities' long-term rating at 'IND BBB+' with a Stable Outlook and upgraded the short-term rating to 'IND A2+' from 'IND A2' as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Bank loan facilities	-	-	-	INR450 (reduced from INR1,000)	IND BBB+/Stable/IND A2+	Long-term rating affirmed; short-term rating upgraded

Analytical Approach

Ind-Ra continues to take standalone view of SCL to review the rating.

Detailed Rationale of the Rating Action

The upgrade of the short-term rating reflects an improvement in SCL's financial flexibility. In FY26, the company raised INR1,299 million through a rights issue, and used the proceeds to fully repay all term debt and unsecured loans from the parent, resulting in no scheduled debt repayments. This has been supported by an adequate cushion in working capital bank lines, strengthening liquidity. Ind-Ra expects this improved liquidity position to be sustained over the near term, aided by a lower utilisation of fund-based limits over the past few months.

The affirmation of long-term ratings factors in Ind-Ra's expectations of a gradual improvement in SCL's scale, driven by the ramp-up of enhanced capacity and increased volumes supported by healthy order flows from both existing and new customers. Credit metrics are likely to remain comfortable over the medium term, supported by the absence of term-debt obligations, a continued reduction in the overall borrowings, and modestly improved profitability as reflected in the 9MFY26 EBITDA performance, despite inherent sectoral volatility.

Ind-Ra also considers SCL's ongoing non-debt-funded capex and investments aimed at operational efficiency, which support long-term competitiveness. Liquidity is further strengthened by significantly lower utilisation of working capital limits, reflecting improved cash-flow discipline.

The ratings continue to derive comfort from the experienced promoter group, SCL's established market position, and a reputed customer and supplier base. These strengths are balanced against the company's modest revenue scale, exposure to raw material price volatility, and a competitive industry environment, which may exert pressure on margins during adverse conditions.

List of Key Rating Drivers

Strengths:

- Strengthening financial risk profile with sustained improvement likely post 9MFY26 deleveraging

- Experienced promoter support and diversified industry presence strengthening business profile
- Resilient profitability margins, despite industry headwinds
- Volume-led revenue growth likely to sustain over the near-to-medium term

Weaknesses:

- Forex risk
- Prolonged slow demand and heightened competition from Chinese suppliers

Detailed Description of Key Rating Drivers

Strengthening Financial Risk Profile with Sustained Improvement Likely Post 9MFY26 Deleveraging: The company raised INR1,299 million through a rights issue in FY26, the proceeds of which were utilised for the repayment of the entire term debt and unsecured loans taken from the parent company. Additionally, a portion of the funds was allocated toward the settlement of outstanding dues to sundry creditors, with the balance earmarked for general corporate purposes. Following the debt prepayment and creditor settlements, SCL has significantly reduced its reliance on working capital borrowings, leading to a material reduction in the overall debt levels. This deleveraging is likely to lower the interest burden in FY26 and, combined with a no-debt-led capex plan, strengthen key credit metrics, particularly net leverage and interest coverage.

During FY25, the total debt increased to INR1,003 million (FY24: INR854 million), largely due to term borrowings for the capacity-expansion project. Consequently, the net leverage moderated to 2.89x in FY25 (FY24: 2.11x), although it remained within a comfortable range. Despite the increased finance costs and reduced EBITDA in FY25, the interest coverage remained robust, at 3.71x (FY24: 5.19x). The metrics further improved to 7.19x in 9MFY26, driven by enhanced profitability and the sharp reduction in debt levels following the repayment.

Overall, SCL's leverage and coverage indicators are likely to improve significantly over the near term, supported by the absence of major debt-funded capex, no term-debt repayment obligations, and a lower utilisation of fund-based working capital limits, thereby enhancing the liquidity and financial flexibility.

Experienced Promoter Support and Diversified Industry Presence Strengthening Business Profile: SCL's business profile benefits from the experience of its promoter, Indus Petrochem Limited (62.36% holding), which brings over 25 years of sectoral expertise and long-standing industry relationships that enhance customer retention and market access. The company's three-decade operating history has enabled it to build a strong foothold in the specialty chemicals segment, with the revenues projected to surpass INR4,000 million in FY26 from INR2,440 million in FY22, reflecting sustained growth.

SCL offers a diverse portfolio of customised, high-performance chemical products catering to multiple end-use sectors across India and key international markets such as the Americas, Europe, and the Far East. Its broad application base - covering metal treatment, wire enamels, PVC stabilisers, inks and coatings, fertilisers, polymers, rubber goods, textiles, latex products, detergents, and cosmetic formulations - provides resilience against sector-specific demand volatility. The company's ongoing focus on innovation, customisation, and technical capability further enhances its competitive positioning. Additionally, the parent company has extended a corporate guarantee for SCL's entire debt, which underpins lender comfort and strengthens the overall credit profile. Ind-Ra believes the combination of experienced promoter backing, entrenched market presence, and diversified customer and product exposure will continue to reinforce SCL's business risk profile and support its medium-term growth visibility.

Resilient Profitability Margins, despite Industry Headwinds: SCL's operating profitability has demonstrated resilience despite sector-wide pressures from the global economic slowdown and elevated raw material price volatility over the past two years. The company earned an EBITDA margin of 10.78% in 9MFY26, showing early signs of stabilisation after a decline to 9.23% in FY25 (FY24: 14.27%). The deterioration in FY25 was primarily driven by a 40% yoy drop in export revenues, which generally yield higher margins, and the company's limited ability to pass on input cost fluctuations in the domestic market. The EBITDA improved to INR357.20 million in 9MFY26, compared with INR337.75 million in FY25 and

INR404.33 million in FY24, supported by higher volumes and improved fixed-cost absorption from the ramp-up of enhanced manufacturing capacity, strengthening the operating leverage. SCL's return on capital employed moderated to 13.2% in FY25 (FY24: 21.43%), reflecting the sectoral headwinds and lower profitability during the year.

Ind-Ra expects EBITDA margins to remain in the 10%-11% range in the near term, driven by continued volume ramp-up, better utilisation levels, and benefits accruing from operational-efficiency initiatives. While a full pricing recovery may remain gradual amid persistent macroeconomic pressures, margins are likely to remain stable with a modest upward bias.

Volume-Led Revenue Growth Likely to Sustain Over the Near to Medium Term: SCL expanded its installed capacity to 25,231MTPA in FY25 from 18,067MTPA in FY24 to meet the rising market demand. Since the additional capacity became operational only from early 2QFY25, the capacity utilisation moderated to below 80% during the year. However, Ind-Ra expects capacity utilisation to improve in FY26 as operations stabilise across the expanded facility. In FY25, competitive pressures led to a slight moderation in realisations per MT, but sales volumes still increased by 29% yoy, boosting the revenue to INR3,657.95 million (FY24: INR2,833.75 million).

Moreover, in 9MFY26, SCL recorded revenues of INR3,312.40 million. Ind-Ra expects revenue growth of 20%-22% in FY26, driven by increased available capacity, improving utilisation levels, and steady order flows across key end-user industries.

Forex Risk: SCL remains exposed to foreign exchange fluctuation risk as it imports part of its raw materials from China, Malaysia, and Singapore, while also exporting a portion of its finished products. However, the company is a net exporter of specialty chemicals, which provides a natural hedge against currency volatility. In FY25, SCL recorded a foreign exchange gain of INR12.88 million (FY24 INR11.99 million), reflecting favourable movement in exchange rates during the period. Nevertheless, the company does not follow any formal hedging policy, which leaves profitability vulnerable to sharp adverse currency movements in the short term, despite the partial mitigation offered by natural hedging.

Prolonged Slow Demand And Heightened Competition from Chinese Suppliers: SCL remains exposed to the prolonged weakness in global specialty chemical demand, which has kept the overall market sentiment subdued. The company also faces intense competitive pressure from Chinese suppliers, driven by continued oversupply and aggressive pricing in several product categories, particularly in export-linked segments. This has led to pressure on realisations, compelling SCL to maintain competitive pricing to protect market share, which may limit near-term revenue traction and pricing flexibility. Despite its diversified product portfolio and established customer base, Ind-Ra believes sluggish global demand, continued Chinese oversupply, and delayed restocking cycles are likely to weigh on SCL's near-term performance until broader industry conditions normalise.

Liquidity

Adequate: SCL's month-end average utilisation of both fund-based and non-fund-based limits stood at 59% for the 12 months ended January 2026. The net working capital cycle improved to 75 days in FY25 (FY24: 83 days), supported by higher creditor days of 66 (61) and a shorter inventory holding of 77 days (82 days). However, during 9MFY26, the working capital cycle lengthened marginally to 87 days, primarily due to a sharp reduction in creditor days to 25, partly offset by improvements in receivable days and inventory days. Creditor days are likely to rise to fund year-end inventory and working capital cycle trend is expected to remain in line with FY25 levels in the near term.

The cash flow from operations strengthened to INR389 million in FY25 (FY24: INR342 million) on account of favourable working capital movements. Despite capex of INR498 million, the free cash flow remained negative at INR118 million in FY25 (FY24: negative INR95 million). The free cash flow is likely to remain negative in the near term due to the ongoing capex commitments. The company had cash and cash equivalents of INR28 million at FYE25 and has no upcoming term-debt repayment obligations. As per the management, no additional term debt is planned in the medium term, with capex likely to be funded through internal accruals.

Rating Sensitivities

Positive: A substantial increase in the scale of operations (revenue and EBITDA), an improvement in the liquidity position while maintaining the credit metrics with the interest coverage remaining above 3x, all on a sustained basis, will be a positive for the ratings.

Negative: A decline in the scale of operations (revenue and EBITDA) or deterioration in the liquidity position or deterioration in the credit metrics with the interest coverage falling below 2x, all on sustained basis, will be a negative for the ratings.

Any Other Information

Not applicable

About the Company

Incorporated in 1986, SCL manufactures speciality chemicals including surfactants, ethoxylates, THEIC and antioxidants at its production facility in Raigad, Maharashtra. These products cater to a wide range of applications in home and personal care, industrial formulations, paints and coatings, and agrochemicals. The company has been listed on the Bombay Stock Exchange since 1995. In 2021, Indus Petrochem Limited acquired a 62.36% shareholding in SCL, and the company is led by Jeet Malhotra (Managing Director & CEO).

Key Financial Indicators

Particulars	FY25	FY24
Revenue (INR million)	3,657.95	2,833.75
EBITDA (INR million)	337.75	404.33
EBITDA margin (%)	9.23	14.27
Gross interest coverage (x)	3.71	5.19
Net leverage (x)	2.89	2.11
Source: SCL; Ind-Ra		

Status of Non-Cooperation with previous rating agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook
	Rating Type	Rated Limits (million)	Current Rating	5 May 2025
Bank loan facilities	Long-term/Short-term	INR450.00	IND BBB+/Stable/IND A2+	IND BBB+/Stable/IND A2

Bank wise Facilities Details

The details are as reported by the issuer as on (30 Mar 2026)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
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1	HDFC Bank Limited	Fund-based working capital limits	400	IND BBB+/Stable / IND A2+
2	Axis Bank Limited	Fund-based working capital limits	50	IND BBB+/Stable / IND A2+
3	HDFC Bank Limited	Term loan	350	WD
4	Axis Bank Limited	Term loan	200	WD

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank Loan Facilities	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

Contact

Primary Analyst

Roma Gupta

Senior Analyst

India Ratings and Research Pvt Ltd

Wockhardt Towers, 4th Floor, West Wing, Bandra Kurla Complex, Bandra East, Mumbai - 400051

+91 22 40356193

For queries, please contact: infogrp@indiaratings.co.in

Secondary Analyst

Nikhil Joshi

Senior Analyst

02240356155

Media Relation

Ameya Bodkhe

Marketing Manager

+91 22 40356121

About India Ratings

India Ratings and Research (Ind-Ra) is India's SEBI registered credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India and the Reserve Bank of India.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

Solicitation Disclosures

Additional information is available at www.indiaratings.co.in. The ratings above were solicited by the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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APPLICABLE CRITERIA AND POLICIES

Evaluating Corporate Governance

Corporate Rating Methodology

Short-Term Ratings Criteria for Non-Financial Corporates

The Rating Process

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