May 27, 2025

Thirumalai Chemicals Limited: Ratings downgraded to [ICRA]A(Negative)/[ICRA]A2+

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term-fund based-term loan	463.00	443.05	[ICRA]A (Negative); Downgraded from [ICRA]A+ (Negative)
Long term-fund based-working capital facilities	848.00	680.00	[ICRA]A (Negative); Downgraded from [ICRA]A+ (Negative)
Short term-non fund based facilities	(998.00)	(780.00)	[ICRA]A2+; Downgraded from [ICRA]A1
Long term / short term-unallocated limits	160.00	110.00	[ICRA]A (Negative)/[ICRA]A2+; Downgraded from [ICRA]A+(Negative)/[ICRA]A1
Short-term – Non fund based facilities	-	100.50	[ICRA]A2+; Downgraded from [ICRA]A1
Total	**1,471.00**	**1,333.55**	

**Instrument details are provided in Annexure-I*

Rationale

The rating action factors in the moderation in the performance of Thirumalai Chemicals Limited (TCL) in FY2025 owing to decline in operating margins and weakening of debt protection metrics. The operating margins were impacted owing to weak realisations of Maleic anhydride due to oversupply and dumping from China. Additionally, Phthalic anhydride (PAN)-Orthoxylene (OX) spreads have also remained weak though these improved somewhat in FY2025. The pressure on operating margins is expected to continue in the near to medium term. Further, there is an increase in project cost for the ongoing capex in US which is expected to further strain the company's credit metrics.

The ratings also factor in Thirumalai Chemicals Limited's (TCL) established track record and strong market position in the Phthalic Anhydride (PAN) segment in India, as well as the diversification benefits arising from the sale of downstream derivative products such as esters, food acids, and MAN by its subsidiary, Optimistic Organic SDN BHD (OOSB). The ratings further take into account the healthy capacity utilisation of the Ranipet plant, reflecting the benefits of modernisation capex undertaken in recent years. ICRA expects the company's medium-term performance to benefit from favourable trade protection measures initiated by the Government of India (GoI), along with a positive demand outlook in the domestic end-user industry. ICRA notes that Cheminvest Pte Ltd. Singapore (a wholly owned subsidiary of TCL), which is the majority shareholder in OOSB (the Malaysian entity manufacturing MAN), is exploring suitable options to divest or reduce losses through lower production volumes or other initiatives. ICRA also notes that the company in the near term is looking at various fund raising options up to Rs. 700 crore via a mix of equity and convertible instruments to support the ongoing capex requirements and liquidity.

ICRA also notes that the company's debt-funded capex plans have led to additional debt requirements and exerted pressure on its capital structure and coverage indicators. The company remains susceptible to project execution risks due to its large capex plans. Timely completion of the US project, without any further cost or time overruns, will continue to be a key monitorable. Once completed and stabilised, the projects are expected to offer a favourable product portfolio and geographical diversification, resulting in improved operating margins. The ratings also remain constrained by the exposure of profitability margins to fluctuations in raw material prices and TCL's presence in commodity chemicals, which limits its pricing flexibility.

The Negative outlook on the long-term rating reflects pressure on TCL's operating margins and its impact on debt coverage metrics, stemming from volatility in PAN-OX spreads and weak MAN realisations.

Key rating drivers and their description

Credit strengths

Extensive experience and market position in PAN – TCL is the second-largest player in India with a significant market share in the domestic PAN industry. The company's five decades of experience resulted in established relationships with clients in key end-user industries such as plasticisers, copper phthalocyanine (CPC), paints and unsaturated polyresins (UPR). TCL also has a longstanding relationship with Reliance Industries Limited, the supplier of the raw material, OX, and operates on an assured offtake model.

Positive demand outlook in domestic end-user industries – Infrastructure investments and expansion of major end-user industries is expected to improve the demand for PAN in the domestic market in the medium term. Trade protection metrics, such as anti-dumping duty, and the mandatory Bureau of Indian Standards certification for PAN imports are expected to benefit domestic manufacturers.

Diversification into related chemicals – The company produces phthalate esters and food acids, which are downstream derivatives. The contribution of these products has grown over the years. The company also produces MAN from its Malaysian subsidiary – OOSB. TCL is also setting up a greenfield integrated food ingredients production facility in the US. Such initiatives would provide diversification benefits to the consolidated entity in the medium term.

Credit challenges

Presence in commodity chemical industry and competition from imports limit pricing flexibility – TCL's realisations are influenced by the overall demand-supply dynamics in a region, given the limited product differentiation and the volatility in feedstock OX prices. The key end-user industries of the product are plasticisers, paints, and unsaturated polyester resins, which are mainly used in the infrastructure, construction, and automobile sectors. Hence, demand is based on broader economic conditions. With regard to supply, market dynamics change significantly based on production and consumption in key markets such as China, Korea, and South-East Asia. Though TCL has medium- to long-term contracts with many customers, product realisations remain volatile.

Going forward, as domestic demand is higher than domestic capacity, the offtake risk for producers like TCL is low at present and is likely to remain so in the near term. However, domestic PAN companies have undertaken significant capex. Hence, once the capacities stabilise, PAN is expected to be exported for a period of 1–2 years before domestic demand matches the increased supply. Most of the end users of phthalic anhydride are in infrastructure, and the Government's thrust on infrastructure is likely to improve the growth prospects for phthalic anhydride in India. The company's performance also remains susceptible to changes in Government policies and regulations regarding international trade and trade protection metrics.

Exposure of profitability margins to fluctuation in raw material price – The price of OX has been volatile and is based on crude oil prices and demand trends for other products in the xylene stream. The company's product demand and its working capital intensity are impacted during periods of high OX prices. TCL has, however, rationalised its production lead time and inventory management in recent years, thereby strengthening its ability to pass on OX price changes to its customers. Nonetheless, the company's profit margin remains susceptible to the volatility in PAN-OX spreads, which depend on the demand-supply dynamics of PAN in the region. The operating margins were impacted in FY2024 and FY2025 owing to reduced PAN-OX spreads and pressure on realisations from MAN. However, ICRA notes the company's exchange filing on the same, indicating divestment initiatives, which are expected to improve the situation. Further, ICRA also notes that TCL's ability to withstand the aforementioned risks is better than during earlier downturns, owing to several cost-control initiatives undertaken by the company in the past few years.

Large debt-funded capex plans and project execution risks – TCL is in the process of undertaking a large capex under a subsidiary in the US to manufacture maleic anhydride and food acids, which will be predominantly debt funded. The project has witnessed delays owing to the pandemic and various global tensions, which have delayed the shipments to the project site. The US project is expected to be completed by December 2025.

The company had also undertaken the second phase of the Dahej project to add a PAN capacity of ~90,000 MTPA and fumaric acid capacity of ~10,000 MT. The cost incurred is ~Rs. 750 crore, including the GST component of ~Rs. 100-110 crore. This project is fully commissioned. The ongoing capex for the US project exposes the consolidated entity to project execution risks and exerts pressure on the consolidated capital structure and coverage indicators over the near to medium term.

Environmental and Social Risks

Safety and environmental health-related concerns associated with chemicals expose the industry to the risk of tightening regulatory norms for the production, handling, disposal and transportation of chemical products. Further, in the event of accidents, the litigation risks and liabilities for clean-up could be high. TCL has been a zero-liquid discharge company for the past several years and has also invested in the latest technology at its water treatment facility. While TCL has a demonstrated track record of running its operations safely, the nature of the risk (being low frequency-high impact) weighs on the ratings. TCL has robust process safety management in place.

Further, operating responsibly is an imperative and instances of non-compliance with environmental, health, and safety norms could have an adverse impact on the local community which could manifest in the form of protests, constraining the ability to operate or expand the capacity. TCL has not experienced/reported any incident suggestive of safety lapses in its manufacturing facilities over the past several years and its ability to maintain the manufacturing controls would be a monitorable.

Liquidity position: Adequate

The company's liquidity profile is adequate, supported by unencumbered cash and cash equivalents of ~Rs. 182.92 crore at the consolidated level as on March 31, 2025, and expected positive cash flows from operations in FY2026 and FY2027. The availability of unutilised working capital limits, fund raising plans and healthy cash balances support the company's liquidity profile against expected debt repayment obligations of Rs. 62 crore in FY2026 and Rs. 133 crore in FY2027 and funding requirements for the planned capex during this period.

Rating sensitivities

Positive Factors – A rating upgrade is unlikely in the near term owing to the Negative outlook. However, the outlook could be revised to Stable if the company demonstrates a sustained improvement in margins, along with fund raise that would improve the debt protection metrics.

Negative Factors - Pressure on the ratings could arise if there is a sustained decline in revenue and profitability, or a stretch in the working capital cycle, along with higher-than-estimated debt-funded capex, which will weaken the credit profile.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financial profile of the company. The details of consolidation are provided in Annexure II

About the company

TCL started its operations in 1976 at Ranipet in Tamil Nadu as a single product petrochemical company, manufacturing phthalic anhydride, with a production capacity of 6,000 TPA. Over the years, TCL has expanded its total PAN manufacturing capacity to ~1,72,000 TPA, including Dahej phase 1, and has added other products to its portfolio, which includes food additives such as maleic acid and fumaric acid, and PAN derivatives such as di-ethyl phthalate (DEP) and phthalimide (PID). In FY2025, the Dahej Phase II project was commissioned which added ~90,000 TPA capacity of PAN and ~10,000 TPA of fumaric acid. TCL caters to customers in the construction, auto, paint, food, personal care and pharmaceutical industries. It also has a maleic anhydride (MAN) manufacturing facility in Malaysia, under its step-down subsidiary, Optimistic Organic Sdn. Bhd. (OOSB).

Key financial indicators (audited)

TCL Consolidated	FY2024	FY2025
Operating income	2083.5	2049.5
PAT	-38.79	-46.1
OPBDIT/OI	2.73%	2.38%
PAT/OI	-1.86%	-2.25%
Total outside liabilities/Tangible net worth (times)	1.9	2.3
Total debt/OPBDIT (times)	22.0	36.6
Interest coverage (times)	1.4	1.0

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2026)			Chronology of rating history for the past 3 years					
		Type	Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025		Date & rating in FY2024		Date & rating in FY2023
				May 27, 2025	Dec 03, 2024	May 24, 2024	Feb 14, 2024	Aug 04, 2023	May 17, 2022
1	**Term loans**	Long term	443.05	**[ICRA]A (Negative)**	**[ICRA]A+ (Negative)**	**[ICRA]A+ (Negative)**	**[ICRA]A+ (Negative)**	**[ICRA]A+ (Stable)**	**[ICRA]A+(Stable)**
2	**Fund-based limits**	Long term	680.00	**[ICRA]A (Negative)**	**[ICRA]A+ (Negative)**	**[ICRA]A+ (Negative)**	**[ICRA]A+ (Negative)**	**[ICRA]A+ (Stable)**	**[ICRA]A+(Stable)**
3	**Non-fund based facilities**	Short term	100.50	**[ICRA]A2+**	-	-	-	-	**[ICRA]A1+**
4	**Unallocated**	Long term	-	-	-	-	-	-	**[ICRA]A+(Stable)**
5	**Unallocated**	Short term	-	-	-	-	-	-	**[ICRA]A1+**
6	**Unallocated**	Long term/ Short term	110.0	**[ICRA]A(Negative)/ [ICRA]A2+**	**[ICRA]A+(Negative)/ [ICRA]A1**	**[ICRA]A+(Negative)/ [ICRA]A1**	-	-	-
7	**Non-fund based**	Short term	(780.0)	**[ICRA]A2+**	**[ICRA]A1**	**[ICRA]A1**	**[ICRA]A1+**	**[ICRA]A1+**	-

	facilities (sub limit)								
8	**Short-term term loans**	Short term	-	-	-	-	-	**[ICRA]A1+**	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term fund-based – Term loan	Simple
Long-term– Fund-based limits	Simple
Short-term non-fund based limits	Very simple
Short-term non-fund based limits (sub-limit)	Very simple
Unallocated limits	Not applicable

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
-	**Term loan I**	06-07-2019	NA	31-07-2026	18.05	[ICRA]A(Negative)
-	**Term loan II**	18-12-2023	NA	03-09-2031	200.00	[ICRA]A(Negative)
-	**Term loan III**	24-10-2024	NA	30-11-2031	200.00	[ICRA]A(Negative)
-	**Term loan IV**	01-11-2024	NA	31-12-2031	25.00	[ICRA]A(Negative)
-	**Fund-based limits**	NA	NA	NA	680.00	[ICRA]A(Negative)
-	**Non-fund based facilities (sublimit)**	NA	NA	NA	(780.00)	[ICRA]A2+
-	**Unallocated limits**	NA	NA	NA	110.00	[ICRA]A(Negative)/ [ICRA]A2+
-	**Non-fund based facilities**	NA	NA	NA	100.50	[ICRA]A2+

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	TCL Ownership	Consolidation Approach
Cheminvest Pte. Ltd.	100.00%	Full Consolidation
Optimistic Organic Sdn Bhd.	100.00%	Full Consolidation
Lapiz Europe Ltd	100.00%	Full Consolidation
TCL Global B V	100.00%	Full Consolidation
TCL INC	100.00%	Full Consolidation
TCL SPECIALTIES LLC	100.00%	Full Consolidation
TCL Intermediates Pvt Ltd	100.00%	Full Consolidation

Source: Company

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