

August 11, 2025

Deepak Chem Tech Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based - Term loans	1202.00	1202.00	[ICRA]A (Stable); reaffirmed
Long term/Short term - Fund based/Non-fund based limits	200.00	200.00	[ICRA]A (Stable)/[ICRA]A2+; reaffirmed
Total	1,402.00	1,402.00	

*Instrument details are provided in Annexure I

Rationale

The ratings assigned to Deepak Chem Tech Limited (DCTL/the company) factor in the strong parentage of Deepak Nitrite Limited {DNL, rated [ICRA]AA (Stable)/[ICRA]A1+} and its strategic importance to the latter as the company is an extended arm of the parent entity.

The ratings continue to take into account the long operating track record of the Deepak Group {comprising DNL, Deepak Phenolics Limited (DPL, rated [ICRA]AA (Stable)/[ICRA]A1+ and Deepak Chem Tech Limited (DCTL)} in the chemical industry, and its diversified product mix and end-user industries. ICRA notes the Group's leading market position in most product segments across the domestic and global markets.

The ratings also continue to factor in the Group's multi-purpose manufacturing facilities with significant backward and forward integration and flexibility to change the product mix as per the market requirements. ICRA also notes the Group's technical expertise to handle complex and hazardous chemical processes like nitration, hydrogenation and diazotisation. ICRA also considers the integrated nature of operations of DCTL within the Deepak Group as the products being manufactured are largely either a forward integration or a backward integration from the existing operations of the Group. Additionally, the products to be manufactured under the polycarbonate resin project will largely be import substitution products. Thus, the project is expected to witness a healthy ramp-up, once commissioned.

The ratings, however, will remain constrained by the exposure of DCTL's profitability to the volatility in raw material prices and project execution risk associated with the ongoing capex. At present, the capex is divided into two parts - a Rs. 2,400-crore capex for DCTL to set up plants manufacturing benzo tri chloride (BTC) and benzo tri fluoride (BTF), concentrated nitric acid (CNA), weak nitric acid (WNA), methyl isobutyl ketone (MIBK), methyl isobutyl carbinol (MIBC), along with hydrogenation and nitration plants and a specialty chemicals facility. These projects are expected to be commissioned over the course of FY2026. Additionally, the Group will be incurring capex in the range of Rs. 11,000 crore-11,500 crore during FY2026 to FY2028. The plant and technology for the PC resin plant has been purchased from Trinseo Plc for \$52.5 million and will involve relocating the plant from Stade, Germany to India. The Group is also setting up plants for 300-KTPA phenol, 185-KTPA acetone and 100-KTPA iso-propyl alcohol (IPA) and are in advanced stages of finalising a bis-phenol A (BPA) capacity. These plants will form part of the backward integration for manufacturing polycarbonate resin (PC resin).

These ongoing capex plans expose the Group to project execution risk, though its track record of adopting new technologies, execution of sizeable phenol projects in the past and the purchase of the PC resin plant with an already established technology provides comfort to some extent. Nevertheless, a timely execution within the planned capital outlays will remain a key monitorable. Additionally, the sizeable capex being undertaken will moderate the credit metrics for the consolidated entity from FY2026 to FY2028.

The Stable outlook on the long-term rating reflects ICRA's opinion that the company's credit profile will remain stable, driven by its parentage and the expected ramp-up of the plants which will support the cash accruals.

Key rating drivers and their description

Credit strengths

Part of the Deepak Nitrite Group which has a long operating history and established position in global chemical intermediates industry – DNL has been operating in the chemical industry for nearly five decades. Over the years, the company has become a market leader in the domestic market for inorganic intermediates (sodium nitrite and sodium nitrate), nitro toluene and fuel additives. DNL is among the top five global players in xylidines, cumidines, colour intermediates and oximes. It is present in over 30 countries, including the US, the European Union, the East European nations, Japan, ASEAN countries, South Korea and South America. DPL, a 100% subsidiary of DNL, commissioned its phenol and acetone plant in November 2018. Since the commissioning of its IPA plant in April 2020, DPL's scale and profitability significantly improved. Further, the total capacity of IPA has doubled after the expansion in December 2021. The domestic demand for phenol and acetone far exceeds the domestic production at present. Moreover, with limited domestic competition, DPL has been able to garner a significant market share in the Indian market.

Import substitution products to support healthy ramp-up; part of the production to be captively consumed – The company has various projects under execution, namely benzo tri chloride (BTC), benzo tri fluoride (BTF), concentrated nitric acid (CNA), weak nitric acid (WNA), methyl isobutyl ketone (MIBK), methyl isobutyl carbinol (MIBC), specialty chemicals along with hydrogenation and nitration capacity. Majority of the chemicals will serve as backward and forward integration for the Group, which reduces the offtake risk. Hence, the projects, once completed, should provide a boost to the cash generation from operations. Additionally, the current polycarbonate resin demand is being met through imports and once the PC project under DCTL is commissioned, it will offer a domestic alternative for procuring PC resin and is thus expected to witness a healthy ramp-up.

Credit challenges

Profitability exposed to volatility in raw material prices – The profitability of the company remains exposed to the volatility in raw material prices. As the products are largely of commodity nature, the profitability may be impacted when there is significant volatility in raw material prices. However, the risk is partly mitigated by the forward/backward integration of the products within the complete value chain of the Deepak Nitrite Group.

Project execution risks due to large-sized capex over the near to medium term – The sizeable capex to be undertaken over the course of FY2026 to FY2028 exposes the company to project execution risks and moderates the credit metrics for the Group as well. ICRA also notes that the polycarbonate resin project is a large-sized capex, and the company will remain exposed to project execution risk given the lumpy nature of the investment. The credit metrics of the Group will moderate till FY2028 as a sizeable capex is being executed in a short span of time and most of it is lumpy in nature. However, once the projects are commissioned, the overall credit profile of the Group will improve FY2029 onwards. A timely execution of the capex within the estimated capital outlay will remain a key monitorable. However, the Group's track record of adopting new technologies, execution of sizeable phenol projects in the past and the purchase of the PC resin plant with an already established technology provide comfort to some extent.

Liquidity position: Adequate

DCTL's liquidity profile is expected to remain adequate, as the capex is being funded in a mix of debt/equity from the promoter company and the working capital requirements will be largely met by the sanctioned working capital limits. The company has sanctioned working capital limits to overcome any liquidity event, which, along with expectation of enhanced promoter support in a scenario of liquidity mismatches and moratorium on repayments in the near term, is expected to keep the liquidity profile adequate. The Group's free cash balance and liquid investments were at ~Rs. 357 crore as on March 31, 2025.

Rating sensitivities

Positive factors – The ratings can be upgraded if the planned projects get commissioned within the estimated timeline and capital outlay and subsequently stabilise and generate healthy cash accruals. An improvement in the credit profile of the parent group could also lead to an upgrade.

Negative factors – Any material time and cost overruns in the project, and/or inability of the company to fully operationalise the plant in a timely manner may trigger a downgrade. Also, weaker-than-expected revenue and profitability, having an adverse impact on the company's overall leverage and coverage metrics, would weigh on the ratings. A deterioration of the linkages with the parent group and/or weakening of the credit profile of the parent may also result in a downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate credit rating methodology Chemical
Parent/Group support	Group company: Deepak Nitrite Limited The ratings consider the likelihood of the parent, DNL, extending support to DCTL, should the need arise. The analysts have followed a parent support uplift approach while rating DCTL's bank lines with DNL as the parent. DCTL is a wholly-owned subsidiary of DNL
Consolidation/Standalone	Standalone

About the company

Deepak Chem Tech Limited (DCTL; formerly known as Deepak Clean Tech Limited) was incorporated on October 9, 2020 and is a wholly-owned subsidiary of Deepak Nitrite Limited (DNL). The company manufactures various basic and fine specialty chemicals. The proposed chemicals shall be sold in the open market as well as in group companies. Some of the chemical products the company intends to manufacture include benzo tri chloride (BTC), benzo tri fluoride (BTF), concentrated nitric acid (CNA), weak nitric acid (WNA), methyl isobutyl ketone (MIBK), methyl isobutyl carbinol (MIBC), specialty chemical and ortho toluidine (OT). The company will also be setting up a 165-KTPA polycarbonate resin plant in Dahej by FY2028.

Key financial indicators (audited)

Standalone – DCTL	FY2023	FY2024
Operating income	0.0	0.9
PAT	-0.7	-7.7
OPBDIT/OI	-	-960.5%
PAT/OI	-	-894.2%
Total outside liabilities/Tangible net worth (times)	0.06	1.1
Total debt/OPBDIT (times)	-1.2	-60.0
Interest coverage (times)	-14.5	-22.9

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Key financial indicators (audited)

DNL Consolidated	FY2024	FY2025
Operating income	7713	8290
PAT	811	697
OPBDIT/OI	15.0%	13.4%
PAT/OI	10.5%	8.4%
Total outside liabilities/Tangible net worth (times)	0.3	0.4
Total debt/OPBDIT (times)	0.2	1.1
Interest coverage (times)	76.7	36.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

FY2026				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Aug 11,2025	Date	Rating	Date	Rating	Date	Rating
Long term/Short term – Others - Fund based/Non-fund based	Long term/Short term	200.00	[ICRA]A (Stable)/[ICRA]A2+	09-JUL-2024	[ICRA]A (Stable)/[ICRA]A2+	11-MAR-2024	[ICRA]A (Stable)/[ICRA]A2+	-	-
				28-MAR-2025	[ICRA]A (Stable)/[ICRA]A2+	-	-	-	-
Long term - Term loan - Fund based	Long term	1,202.00	[ICRA]A (Stable)	09-JUL-2024	[ICRA]A (Stable)	-	-	-	-
				28-MAR-2025	[ICRA]A (Stable)	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - Term loan - Fund based	Simple
Long term/Short term – Others - Fund based/Non-fund based	Simple

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
NA	Term loans	March 2024	NA	March 2036	1202.00	[ICRA]A (Stable)
NA	Fund and non-fund based limits	NA	NA	NA	200.00	[ICRA]A (Stable)/ [ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis - Not applicable

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