

August 11, 2025

Deepak Nitrite Limited: Ratings reaffirmed; outlook revised to Stable from Positive

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper	200.00	200.00	[ICRA]A1+; reaffirmed
Long term/Short term – Others - Fund based/Non-fund based	490.00	490.00	[ICRA]AA (Stable)/[ICRA]A1+; reaffirmed and outlook revised to Stable from Positive
Total	690.00	690.00	

*Instrument details are provided in Annexure I

Rationale

While arriving at the ratings, ICRA has taken a consolidated view of Deepak Nitrite Limited (DNL) and its wholly-owned subsidiary Deepak Phenolics Limited {DPL, rated [ICRA]AA (Stable)/[ICRA]A1+} due to their managerial, operational and financial linkages. The Deepak Group also includes Deepak Chem Tech Limited {DCTL, [ICRA]A (Stable)/[ICRA]A2+} under which the Group is executing sizeable capex plans.

The revision of the outlook to Stable from Positive on the long-term rating of DNL takes into account the sizeable capex plans being undertaken by the Group which will expose it to significant project execution risks for the next couple of years and lead to moderation in the credit profile as the group avails debt to execute the sizeable capex.

The Group is executing a modular capex under Deepak Chem Tech Limited {rated [ICRA]A (Stable)/A2+} with a total capital outlay of Rs. 2,400 crore. 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 over FY2026 to FY2028, which entails setting up a 165-KTPA polycarbonate resin capacity along with 300 KTPA of phenol, 185 KTPA of acetone and 100 KTPA of iso-propyle alcohol (IPA) capacities. The Group is also in advanced stage of finalising a bis-phenol A (BPA) capacity as part of the backward integration project for the polycarbonate resin value chain. 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. However, the Group's track record of adopting new technologies, execution of sizeable phenol projects in the past and purchase of the PC resin plant with already established technology provide comfort to some extent. Nevertheless, a timely execution of the projects within the planned capital outlay will remain a key monitorable. The credit metrics of the consolidated entity will also moderate till FY2028 with the incremental debt uptake for the capex, while the cash generation from the projects is expected to start from FY2029.

The ratings continue to take into account the long operating track record of the company in the chemical industry, its diversified product profile and the exposure to diversified end-user industries along with strong technical capabilities. ICRA notes that the company has a leading market position in most of its product segments across the domestic and global markets. The ratings also continue to factor in the Group's multi-purpose manufacturing facility with significant backward and forward integration and flexibility to change the product mix, as per the market requirements. ICRA expects the phenol business to support the Group's overall cash generation, given its market leadership position in the country and recent debottlenecking of the phenol capacity.

The ratings are, however, constrained by the exposure of the company's profitability to the volatility in raw material prices, though the risk is lower for certain products because of formula-linked price contracts. The ratings will also be impacted by the vulnerability of DPL's profitability to volatile spreads, which in turn is linked to the demand-supply balance along with

volatility in the feedstock/end product prices. The project execution risk will also constrain the rating in the near to medium term.

The Stable outlook reflects ICRA's expectation that the Group's cashflows will continue to be supported by healthy demand for its products and the expected benefits to be derived from the commercialisation of the backward integration projects in FY2026.

Key rating drivers and their description

Credit strengths

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. DNL 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 has witnessed a significant improvement in scale and profitability. Further, the total capacity of IPA has doubled after the commissioning of the brownfield expansion in December 2021. The company also undertook debottlenecking of the phenol capacity in Q3 FY2025, which will support incremental cash generation for DPL. The domestic demand for phenol and acetone far exceeds domestic production at present. Moreover, with limited domestic competition, DPL has been able to garner a significant market share in the Indian market.

Diversified product profile mitigates cyclicity risks in different segments – While the company started with a limited portfolio of low-value bulk chemicals, it has grown its product portfolio to include high-value speciality chemicals for multiple end-user applications. At present, it has a product portfolio of over 100 products (including its derivatives). The company has also added pharma intermediaries and more agro-chemical products to its portfolio over the years. The regular introduction of new products has helped DNL mitigate the cyclicity risk related to a particular product segment.

Strong operational profile characterised by multipurpose plants with integrated operations, including strong performance in the phenol segment – The company's production facilities include processes that allow vertical integration for most products, leading to significant cost savings. Also, its facilities have the flexibility to change the product mix to suit the market requirements. DPL's phenol acetone plant showed healthy capacity utilisation in FY2024 and 9M FY2025, resulting in steady revenue and cash flow generation for DNL on a consolidated basis. The phenol plant under DPL continues to maintain robust operational performance, supported by strong demand and consistent debottlenecking of the plant which has enabled the company to produce up to 350 KTPA of phenol. The plant performance remains robust with efficient operations.

Credit challenges

Profitability exposed to volatility in raw material prices; formula-linked price contracts mitigate risk in some segments – The prices of a few key products are linked to the movement in crude oil prices. The change in the price levels, however, varies across product categories and is not commensurate with the change in crude price due to formula-linked pricing. Also, the prices of certain key products, such as sodium nitrite, trifluoromethyl acetophenone (TFMAP), optical brightening agents (OBA) and DASDA are delinked from the movement in crude oil prices. In the phenolics segment, the prices of phenol and acetone are cyclical and volatile, and the profitability of the project is exposed to the movement in spreads between the final products and the feedstock. The movements in the spread are partly governed by crude oil prices and partly by the global demand-supply balance of phenol and acetone.

Significant project execution risk amid sizeable ongoing projects vis-à-vis current size of the Group– The company plans to undertake sizable capex over the course of FY2026 to FY2028, which will expose it to project execution risks and moderate the credit metrics. The credit metrics will moderate through FY2026 to FY2028 as a sizeable capex is being executed in a short span

of time and most of it is lumpy in nature. The credit metrics are expected to improve from FY2029 as the entire capex will be operational and will support the cash generation. A timely execution of the capex within the 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 a PC resin plant with already established technology provide comfort to some extent.

Environmental and social risks

Environmental considerations - Chemical companies, including specialty and commodity chemical producers, face environmental risks from their exposure to waste, pollution, and toxicity. DNL (consolidated) is exposed to the risks of tightening regulations on environment and safety. As per the disclosures made by the consolidated entity, its operating units comply with all the environmental regulations and various statutory approvals/permits granted by the authorities. There have been no pending enquiries by the pollution control boards as well. This indicates that the consolidated entity has mitigated the regulatory risks with its sound operational track record and regulatory compliance. Nonetheless, the consolidated entity remains exposed to the longer term risk of the ongoing shift towards a future that is less dependent on fossil fuels. The consolidated entity's ability to adapt its business model, including diversification into new segments, would be a key rating driver from a long-term credit perspective.

Social considerations - The key social risks for chemical companies are demographics, safety management and the growing influence of consumer behaviour. Chemical companies face demographic changes from rising population, urbanisation, and greater economic development in many parts of the world. However, for emerging markets like India, such change in consumer behaviour or any other driver of change is expected to be relatively slow paced. Therefore, at present, while the consolidated entity remains exposed to the mentioned social risk, it does not materially affect its credit profile. Further, the social perception of chemical products and consumer preferences could pose important long-term risks to the consolidated entity.

Liquidity position: Adequate

The Group's free cash balance and liquid investments were at ~Rs. 357 crore as on March 31, 2025. DNL also has a sanctioned working capital facility of Rs. 490 crore as on March 31, 2025, at a standalone level with an utilisation of Rs. 18.9 crore as on March 31, 2025. DPL has a sanctioned interchangeable working capital limit of Rs. 580 crore as on March 31, 2025, with an utilisation of ~Rs. 126 crore. The repayments of the term debt on the books of the consolidated entity will start in FY2027 for the Rs. 1,202-crore loan which can be comfortably met vis-à-vis cash generation. ICRA expects the Group to enter into debt tie-ups shortly for the capex to be undertaken which should keep the liquidity position adequate.

Rating sensitivities

Positive factors – The ratings may be upgraded if the ongoing capex plans (including the polycarbonate project and the phenol/IPA/acetone project) are executed timely without any major time/cost overruns and the capacities witness a healthy ramp up, resulting in a sustained improvement in the leverage and coverage metrics.

Negative factors – Any material delay in the execution of the ongoing capex and/or material cost overruns resulting in a sustained moderation in the credit profile of the Group may trigger a downgrade. Any sustained moderation in the revenue and profitability of the Group increasing the reliance of debt for the execution of the capex programme would moderate the credit metrics and may cause a downgrade. A specific credit metric for downgrade would be DSCR of less than 2.5x on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate credit rating methodology Chemical
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Deepak Nitrite Limited (please refer to Annexure II for details of the entities consolidated)

About the company

Deepak Nitrite Limited (DNL) is the flagship of the Deepak Group, which was incorporated in 1970 by Mr. C.K. Mehta. It began as a fully indigenous sodium nitrite and sodium nitrate manufacturer and has gradually widened its product portfolio, enjoying a leading market position in most of its products in the domestic as well as global markets. DNL's product portfolio consists of basic chemicals, fine & specialty chemicals (FSC) and performance products.

DNL's manufacturing facilities are at Nandesari and Dahej in Gujarat, Taloja and Roha in Maharashtra and Hyderabad in Telangana. DNL's growth has also been aided by strategic acquisitions of companies with complementary product lines in the past. DNL sells its over 100 products to more than 1,000 customers across 30+ countries around the world. Its major customers include Bayer, BASF, Monsanto, Reliance, P&G, Unilever, Rallis India, etc.

Key financial indicators (audited)

DNL (consolidated)	FY2024	FY2025
Operating income	7713.2	8289.8
PAT	810.9	697.4
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

Instrument	FY2026			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Aug 11,2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Long term/Short term – Others - Fund based/Non-fund based	Long term/Short term	490.00	[ICRA]AA (Stable)/[ICRA]A1+	28-MAR-2025	[ICRA]AA (Positive)/[ICRA]A1+	11-MAR-2024	[ICRA]AA (Positive)/[ICRA]A1+	13-JUN-2022	[ICRA]AA (Positive)/[ICRA]A1+
				-	-	-	-	13-JUN-2022	[ICRA]A1+
				-	-	-	-	31-MAR-2023	[ICRA]AA(Positive)/[ICRA]A1+;
Commercial paper	Short term	200.00	[ICRA]A1+	28-MAR-2025	[ICRA]A1+	11-MAR-2024	[ICRA]A1+	13-JUN-2022	[ICRA]A1+
				-	-	-	-	31-MAR-2023	[ICRA]A1+
				-	-	-	-	13-JUN-2022	[ICRA]AA (Positive)

Complexity level of the rated instruments

Instrument	Complexity indicator
Short term - Commercial paper programme	Very Simple
Long term/Short term - Fund based/Non-fund based limits	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*	Commercial papers	NA	NA	NA	200.00	[ICRA]A1+
NA	Fund and non-fund based limits	NA	NA	NA	490.00	[ICRA]AA (Stable)/[ICRA]A1+

Source: Company; * yet to be placed

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

Annexure II: List of entities considered for consolidated analysis

Company name	DNL ownership	Consolidation approach
Deepak Nitrite Limited	100.00% (rated entity)	Full consolidation
Deepak Phenolics Limited	100.0%	Full consolidation
Deepak Nitrite Corporation Inc., USA	100.0%	Full consolidation
Deepak Chem Tech Limited	100.0%	Full consolidation
Deepak PMC Limited	100.0%	Full consolidation
Deepak Oman Industries LLC (SEZ)	51.00%	Full consolidation
Deepak Advanced Materials Limited	100.00%	Full consolidation
Narmada Thermal Power Private Limited	100.00%	Full consolidation

Source: Company

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