

March 31, 2026

## Performance Chemiserve Limited: Ratings placed on watch with developing implications

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term – Fund based term loan	1,744.00	2000.00	[ICRA]AA-; rating placed on watch with developing implications
Long term – Fund based – Cash credit	100.00	0.00	-
Short term – Non-fund based- Others	500.00	0.00	-
Short term –Unallocated	-	1.00	[ICRA]A1+; rating placed on watch with developing implications
<b>Total</b>	<b>2,344.00</b>	<b>2001.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

While assigning the ratings to the bank lines of Performance Chemiserve Limited (PCL/the company), ICRA has considered the parent subsidiary notch-up approach wherein the ratings assigned to the bank lines of PCL have been notched up using the ratings assigned to its parent, Deepak Mining Solutions Limited (DMSL, rated [ICRA]AA-/ [ICRA]A1+; ratings on watch with developing implications). ICRA has taken a consolidated view of Deepak Fertilisers and Petrochemicals Corporation Limited (DFPCL, rated [ICRA]AA-/ [ICRA]A1+; ratings on watch with developing implications) and its subsidiaries – Mahadhan AgriTech Limited (MAL, rated [ICRA]AA-/ [ICRA]A1+; ratings on watch with developing implications), Deepak Mining Solutions Limited (DMSL) and Deepak GlobalChem Pte Ltd (DGPL, rated [ICRA]AA-/ [ICRA]A1+; ratings on watch with developing implications) – due to their managerial, operational and financial linkages, collectively referred to as the Deepak Group/the consolidated entity. ICRA considers the consolidated financials of DFPCL while arriving at the ratings for the Deepak Group.

The ratings assigned to the bank lines of Performance Chemiserve Limited (PCL/the company) have been put on watch with developing implications, given the ongoing conflict in West Asia that started on February 28, 2026, which has disrupted natural gas supplies and spiked the prices. The global supply of commodities such as ammonia, sulphur and natural gas has been severely impacted by the transit constraints across the Strait of Hormuz (SoH), resulting in a sharp increase in the prices.

At present, the Group remains exposed to the risk of short-term gas supply tightness and price volatility which may constrain ammonia production under PCL. Ammonia is a key input for the Deepak Group for manufacturing nitric acid, technical ammonium nitrate (TAN) and phosphatic fertilisers. Hence, the near-term operations will remain exposed to the risk of lower gas availability and ammonia price volatility. However, increase in ammonia price expected to have a positive impact on PCL's financial performance. In the current environment, the Group has largely been able to pass on increases in input costs to output prices (Except for IPA business which constitutes ~5% of group revenue). ICRA will continue to monitor the developments on this front and its impact on the credit profile of the Deepak Group.

The Equinor gas contract is expected to commence from May 2026, which will substantially meet the gas requirement of PCL. Besides, the surplus volume will be available for sale, thereby easing supply-related pressures. The Deepak Group may undertake trading of the excess gas available under the Equinor contract through Deepak GlobalChem Pte Ltd (DGPL). The

commencement of the of natural gas supplies from Equinor as per the expected timelines and terms of the contract will remain a key monitorable.

The PCL Ammonia plant has a take-or-pay agreement with the Deepak Group companies for 100% production which shall not be less than 4,50,000 MTPA, which mitigates the offtake risk for the project. PCL has also tied up medium-term and long-term natural gas supply contracts to ensure raw material availability for the plant. Thus, PCL is strategically important for the Group, which has supported the former in its funding requirements, as and when required.

At present, PCL's profitability remains muted owing to the subdued spread between ammonia prices and gas costs. However, the input cost is expected to moderate from the current levels from FY2027 as a long-term contract for natural gas procurement will gradually meet the entire requirements of PCL for the next 15 years. As a result, the company's profitability and overall credit metrics will improve FY2027 onwards. However, the profitability will still remain exposed to the spread between gas cost and ammonia prices.

ICRA expects the Group entities to extend timely support for its debt servicing requirements, in case of a shortfall, as the company remains a strategically integral part of the Group.

## Key rating drivers and their description

### Credit strengths

**Financial support from Deepak Group** - The Deepak Group entities have been extending need-based financial support to PCL. Given the strategic importance of the entity, Deepak Group entities have provided corporate guarantee backing the bank facilities of the company. Additionally, in past Deepak Group had provided inter-corporate deposits (ICDs) which are now converted to equity in FY2026 to support the cost overruns in the project as well as the fund requirement for debt servicing. Going forward as well, ICRA expects the Deepak Group to support PCL, given the highly integrated operations of the company within the Group.

**Low offtake risks owing to integrated operations with Deepak Group** - PCL has entered into a take-or-pay offtake agreement with various entities of the Deepak Group to ensure the offtake of at least 450,000 MTPA of ammonia, which is used as a key input by the Group entities to manufacture various products. At present, PCL sells a minor quantity of ammonia to consumers outside the Group. However, with increasing production of nitric acid, technical ammonium nitrate (TAN) and phosphatic fertilisers where ammonia is used as key raw material, PCL's entire ammonia production is expected to be consumed inhouse.

### Credit challenges

**Moderate credit profile** - The credit profile of the company remains modest at a standalone level, given the subdued spread between gas cost and ammonia prices. As a result, the company remains dependent on the Group to meet its debt servicing requirements. The credit profile will improve from FY2027 after natural gas supply starts under the long-term contract, with Equinor which will lower the gas costs from the current levels and help improve the profitability.

**Profitability exposed to spread between landed cost of imported ammonia and gas costs** - PCL's profitability remains exposed to the spread between the gas cost incurred and landed ammonia prices. Over the last few years, ammonia prices have remained volatile and, thus, the company's profitability will remain exposed to the fluctuations in the ammonia-gas price spread. ICRA notes that PCL will receive an incentive of 2.5% on the goods & service tax (GST) in the form of reimbursement of the state GST (SGST) for the ammonia sold in Maharashtra. Earlier, this amount was higher as the GST rate on ammonia was 18%. This was revised to 5% in October 2025, thereby reducing the incentive available to PCL from 9% earlier to 2.5%, impacting the extent of improvement in profitability.

## Liquidity position: Adequate

PCL's liquidity is likely to remain adequate on expectations of timely support from the Deepak Group in case of any cash flow shortfall. Given the strategic importance of the company to the Deepak Group, ICRA expects the Group to support the company for any cash shortfall if the cash flow from operations remains inadequate to service its debt servicing requirement.

## Rating sensitivities

**Positive factors** – The rating watch could be favourably resolved if the availability of natural gas and ammonia owing to the ongoing West Asia conflict eases, and/or the natural gas supplies under the contract with Equinor for the operations of the ammonia plant within the Group starts as anticipated from May 2026, thereby easing the natural gas availability and supporting an improvement in the operational and financial profile of the Group.

**Negative factors** – Pressure on the ratings could arise if there is a sustained moderation in the consolidated credit profile, and/or weakening of the linkages with the Deepak Group. The ratings could also be downgraded if the profitability of the company moderates, resulting in a weakening of the credit metrics on a sustained basis.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Chemicals</a> <a href="#">Fertilizers</a>
Parent/Group support	Parent company: Deepak Mining Solutions Limited.  DMSL forms part of the consolidated view taken while arriving at the ratings for DFPCL and MAL. The ratings of PCL factor in the high likelihood of the parent extending financial support to it, should the need arise, due to the strategic importance of PCL to the Group. The parent entity has a track record of extending support in the form of enhanced equity contributions to meet the cost overruns. The approach followed for assigning the ratings to the bank lines of PCL is parent support uplift approach with DMSL as the parent holding a 99.99% shareholding in PCL
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company

## About the company

Performance Chemiserve Limited (PCL) is a step-down subsidiary of Deepak Fertilisers and Petrochemicals Corporation Limited (DFPCL). Deepak Mining Solutions Limited (DMSL), which is a wholly-owned subsidiary of DFPCL, holds a 99.99% stake in the company. PCL commissioned an ammonia manufacturing facility of 1,500 MTPD (~510,000 MTPA) at Taloja, Maharashtra, in August 2023, close to the existing facilities of DFPCL. The project has enabled DFPCL to secure a critical feedstock for its downstream businesses across the Group i.e. TAN, nitric acid and fertilisers.

## Key financial indicators (audited)

PCL	FY2024	FY2025	9MFY2026*
Operating income	1250.8	2173.8	1614.7
PAT	-105.1	-207.5	-224.8
OPBDIT/OI	9.2%	5.4%	-5.0%
PAT/OI	-8.4%	-9.5%	-13.9%
Total outside liabilities/Tangible net worth (times)	1.8	1.5	-
Total debt/OPBDIT (times)	23.8	21.9	-
Interest coverage (times)	0.6	0.4	NM

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

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for past three years

Current (FY2026)			Chronology of rating history for the past 3 years						
Instrument	Type	Amount rated (Rs. crore)	FY2025		FY2024		FY2023		
			Mar 31, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based – Term loan	Long Term	2,000.00	[ICRA]AA-; Rating Watch with Developing Implications	Feb 27, 2025	[ICRA]AA- (Stable)	May 23, 2023	[ICRA]A+ (Stable)	Jul 29, 2022	[ICRA]A+ (Stable)
						Jun 13, 2023	[ICRA]A+ (Stable)	Jan 16, 2023	[ICRA]A+ (Stable)
						Feb 29, 2024	[ICRA]A+ (Stable)	Mar 27, 2023	[ICRA]A+ (Stable)
Unallocated	Short Term	1.00	[ICRA]A1+; Rating Watch with Developing Implications	-	-	-	-	-	-
Long term - Cash credit – Fund-based	Long term	-	-	Feb 27, 2025	[ICRA]AA- (Stable)	-	-	-	-
Short term – Non-fund based - Others	Short term	-	-	Feb 27, 2025	[ICRA]A1+	-	-	-	-
Non-convertible debentures	Long term	-	-	Feb 27, 2025	[ICRA]AA- (Positive)	Jun 13, 2023	[ICRA]AA- (CE) (Stable)	Jul 29, 2022	[ICRA]AA- (Stable)
				-	-	Feb 29, 2024	[ICRA]AA- (CE) (Stable)	Dec 06, 2022	[ICRA]AA- (Stable)
Non-convertible debentures	Long term	-	-	-	-	Jun 13, 2023	[ICRA]AA- (CE) (Stable)	-	-
				-	-	Feb 29, 2024	[ICRA]AA- (CE) (Stable); Reaffirmed and withdrawn	-	-
Proposed non-convertible debentures	Long term	-	-	-	-	May 23, 2023	Provisional [ICRA]AA-(CE) (Stable)	-	-

## Complexity level of the rated instruments

Instrument	Complexity indicator
Long Term – Fund Based – Term Loan	Simple
Short Term –Unallocated	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
NA	Long Term – Fund Based – Term Loan	FY2024	NA	FY2033	2000.00	[ICRA]AA-; Rating Watch with Developing Implications
NA	Short Term – Unallocated	NA	NA	NA	1.00	[ICRA]A1+; Rating Watch with Developing Implications

Source: Company

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

**Annexure II: List of entities considered for consolidated analysis**

Company name	Ownership	Consolidation approach
NA	NA	NA

Source: Company

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