August 27, 2026

Deepak Nitrite Limited: Ratings reaffirmed and assigned for enhanced amount

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Commercial paper	200.00	200.00	[ICRA]A1+; reaffirmed	RBI
Long term/Short term – Others - Fund based/Non-fund based	490.00	790.00	[ICRA]AA(Stable)/[ICRA]A1+; reaffirmed and assigned for enhanced amount	RBI
Total	**690.00**	**990.00**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments that fall under the regulatory purview of financial sector regulators other than SEBI.

Rationale

While arriving at the ratings, ICRA has taken a consolidated view of Deepak Nitrite Limited (DNL/the company) 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 reaffirmation of the ratings assigned to the company's bank lines factor in the long operating track record of the company in the chemical industry, its diversified product profile, exposure to a wide range of end-user industries, and its 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. The ratings also factor in the company's strong operating track record, healthy financial flexibility and comfortable liquidity position, supported by adequate cash generation from the established businesses.

The ratings positively factor in the progress achieved in the ongoing expansion programme under its subsidiary, Deepak Chem Tech Limited (DCTL), with most phase-I projects having been largely commissioned and the remaining expected to be completed during the first half of FY2027. The newly commissioned nitric acid, nitration, hydrogenation projects are expected to strengthen integration benefits, improve raw material security and support profitability over the medium term. The company has also commissioned the methyl isobutyl ketone (MIBK) and methyl isobutyl carbinol (MIBC) units recently and the product approvals are in progress. The total capital outlay for the phase-1 increased to Rs. 3,016 crore, compared with the earlier estimate of Rs. 2,400 crore. The project cost rose due to an increase in the scope of work and the addition of capacities and has been funded through the internal accruals of the Group.

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 volatility in the price of feedstock and finished products.

Moreover, the Group remains exposed to project execution risks because of its sizeable capex plans. It will be incurring a capex of Rs. 10,500 crore during FY2027 to FY2030 for setting up the polycarbonate (PC) manufacturing value chain under Deepak Chem Tech. The plant and technology for the PC resin facility has been purchased from Trinseo Plc for $52.5 million and the relocation of the plant has begun from Stade in Germany to Dahej in India. The Group is also setting up capacities for 300-kilo-

tonnes-per-annum (KTPA) of phenol, 185-KTPA acetone, 100-KTPA iso-propyl alcohol (IPA) and 240 KTPA bis-phenol A (BPA). These plants will form part of the backward integration for manufacturing PC resin. However, the Group's track record of adopting new technologies, execution of sizeable phenol projects in the past and completion of the purchase of the PC resin plant with established technology provide 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 of the consolidated entity from FY2027 to FY2029 owing to the large nature of the capex. ICRA notes that the company has contracted long-tenure debt with healthy moratorium and a structured repayment programme which will keep the debt servicing requirements modest in the early phase of operations and thus allow the new project to ramp up its operations. Asa result, the debt servicing requirements will remain modest over the next few years.

The Stable outlook reflects ICRA's expectation that the Group's cash flows will be adequate to meet the equity requirement for the capex and the credit metrics will improve at a healthy pace once the new capex is commissioned.

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. The company has a healthy presence in the domestic market as well. Further integration into downstream chemicals will help the company strengthen its position in the chemical intermediate market.

Diversified product profile mitigates cyclicality risks in different segments – While the company started with a limited portfolio of low-value bulk chemicals, it has grown its product range to include high-value speciality chemicals for multiple end-user applications. At present, it has a portfolio of over 100 products, including 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 cyclicality risk related to a particular product segment.

Strong operational profile characterised by multipurpose plants with integrated operations; robust performance of 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. The phenol plant under DPL continues to maintain a robust operational performance, supported by strong demand and consistent debottlenecking which has enabled the company to produce up to 350 KTPA of phenol.

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. While the selling prices for certain product categories are revised based on predefined pricing formulae, the extent and timing of price pass-through may not always be fully commensurate with movements in crude oil prices. Further, for products such as sodium nitrite, trifluoromethyl acetophenone (TFMAP), optical brightening agents (OBA) and DASDA, the selling prices are delinked from crude oil price movements though some of the inputs continue to be linked to crude oil rates.

In the phenolics segment, the prices of phenol and acetone are cyclical and volatile, and the profitability of the Group 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. As the company mostly sells phenol in the domestic market, the domestic market pricing remains exposed to the dumping of the products by global suppliers as well.

Significant project execution risk amid sizeable capex programme – The company plans to undertake sizable capex over FY2027 to FY2030, which will expose it to project execution risks and moderate the credit metrics. The credit metrics will moderate through FY2027 to FY2030 as a sizeable capex is being executed which is also large in nature. The credit metrics are expected to improve from FY2030 as the PC value chain will start generating cash. 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 completion of the purchase of the PC resin plant with 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 the applicable environmental regulations and hold the requisite statutory approvals and permits granted by the relevant authorities. Further, there were no pending showcause or legal notices from the Central Pollution Control Board or the respective State Pollution Control Boards as on March 31, 2026. This indicates that the consolidated entity has been able to mitigate 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. 438.3 crore as on March 31, 2026. DNL has a sanctioned working capital facility of Rs. 490 crore as on March 31, 2026, at a standalone level, with negligible utilisation as on March 31, 2026. It also has a sanctioned interchangeable working capital limit of Rs. 1,230 crore as on March 31, 2026, of which ~Rs. 310 crore has been utilised. The repayments for the Rs. 1,202-crore term debt (O/s Rs. 1092 crores as of March 31, 2026) under DCTL started in FY2027 and will be comfortably met vis-à-vis the cash generation. The Group has tied up debt for the PC project and is therefore expected to have adequate liquidity in the near to medium term.

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 Group's revenue and profitability which increases the reliance on 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 Chemicals
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)	FY2025	FY2026	Q1 FY2027*
Operating income	8289.8	7899.2	2577.6
PAT	697.4	550.7	345.0
OPBDITA/OI	13.4%	12.6%	21.0%
PAT/OI	8.4%	7.0%	13.4%
Total outside liabilities/Tangible net worth (times)	0.4	0.5	-
Total debt/OPBDIT (times)	1.1	1.5	-
Interest coverage (times)	36.0	20.3	23.6

*Source: Company, ICRA Research; All ratios as per ICRA's calculations; *Results; Amount in Rs. crore; PAT: Profit after tax; OPBDITA: 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

	FY2027			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	**Type**	**Amount rated (Rs. crore)**	**Aug 27, 2026**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Long term/ Short term – Others – Fund based/ Non-fund based	Long term/ Short term	790.00	[ICRA]AA (Stable)/ [ICRA]A1+	Aug 11, 2025	[ICRA]AA (Stable)/ [ICRA]A1+	Mar 28, 2025	[ICRA]AA (Positive)/ [ICRA]A1+	Mar 11, 2024	[ICRA]AA (Positive)/ [ICRA]A1+
Commercial paper	Short term	200.00	[ICRA]A1+	Aug 11, 2025	[ICRA]A1+	Mar 28, 2025	[ICRA]A1+	Mar 11, 2024	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Short term - Commercial paper programme	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	Financial sector regulator#
NA*	Commercial papers	NA	NA	NA	200.00	[ICRA]A1+	RBI
NA	Fund and non-fund based limits	NA	NA	NA	790.00	[ICRA]AA (Stable)/ [ICRA]A1+	RBI

*Source: Company; *yet to be placed*

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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 Chem Tech Limited	100.0%	Full consolidation
Deepak Nitrite Corporation, Inc	100.0%	Full consolidation
Deepak Oman Industries (SFZ) LLC	51.0%	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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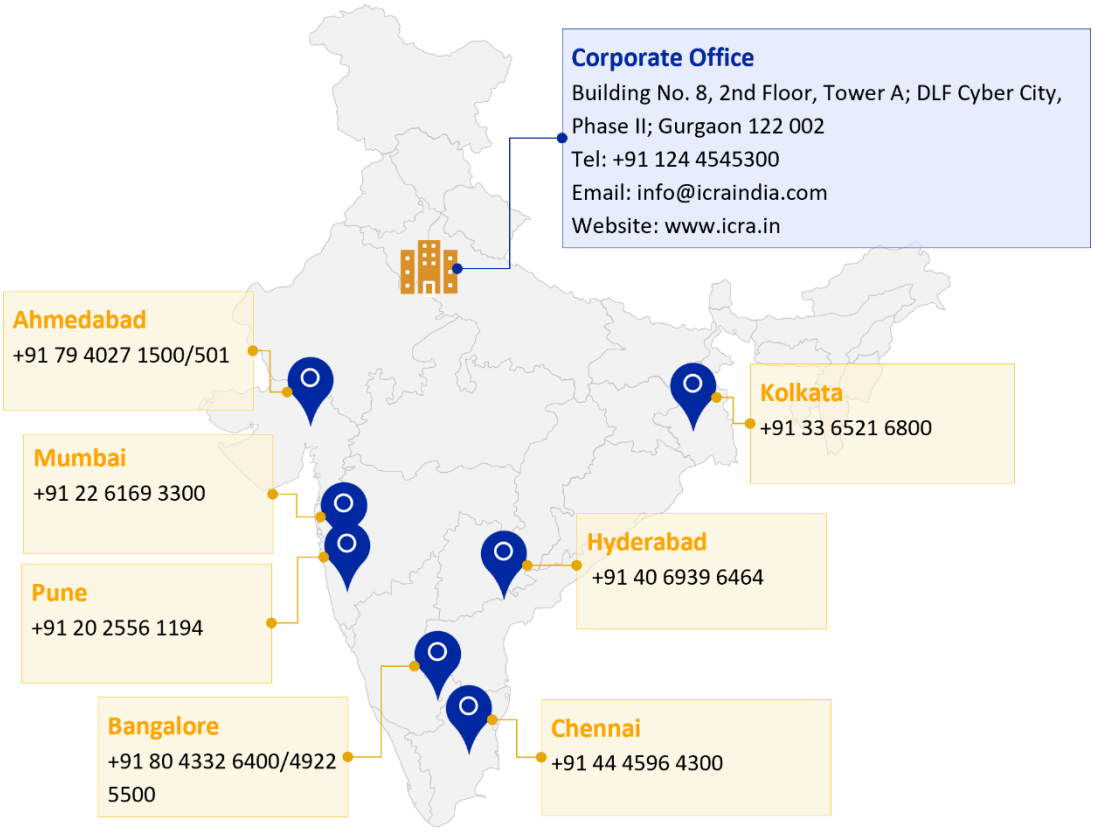

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