

June 13, 2022

Deepak Nitrite Limited: Update on Material Event

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term Fund-based Limits	300.00	300.00	[ICRA]AA(Positive)
Short-term Non-fund Based Limits	170.00	170.00	[ICRA]A1+
Long/Short-term Fund-based and Non-fund Based Limits	20.00	20.00	[ICRA]AA(Positive)/[ICRA]A1+
Short-term – Commercial Paper	200.00	200.00	[ICRA]A1+
Total	690.00	690.00	

*Instrument details are provided in Annexure-1

Rationale

Material Event

On June 08, 2022, it was reported that the Gujarat Government had issued a closure notice to Deepak Nitrite Limited, following the fire at its plant at Nandesari, District Vadodara, in Gujarat on June 2, 2022.

Impact of Material Event

Based on discussion with the management and the company's filings to the stock exchange, the fire had caused damages mainly to the warehouse/offices/utilities and part of the manufacturing facility of sodium nitrite that was facing the warehouse. While, the impact is still being assessed, there has been no casualties and both loss of assets as well as loss of business are covered under insurance. Currently, the operations at the plant are shut due to the Government notice. The company is in the process of conducting stability studies and other assessments to ensure safety of operations and is in the process of providing necessary documents to various authorities, to obtain necessary clearances to restart the plant. ICRA will continue to monitor the developments in this regard and take appropriate rating action, if necessary.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, the liquidity position, rating sensitivities: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Chemical Industry
Parent/Group Support	NA
Consolidation/Standalone	For arriving at the ratings, ICRA has taken a consolidated view of Deepak Nitrite Limited (DNL) and its subsidiary Deepak Phenolics Limited (DPL).

About the company

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, before gradually widening its product portfolio over the years. At present, DNL has a leading market position in most of its products in the domestic and global markets. DNL has a portfolio of over 100 products, broadly divided into three segments— Basic Intermediates, Fine & Specialty Chemicals and Performance Products. The company has five manufacturing facilities, one each at Nandesari and Dahej in Gujarat, Taloja and Roha in Maharashtra, and in Hyderabad in Telangana. DNL also has a research and development facility at Nandesari in Gujarat. The company's growth has also been aided by strategic acquisitions of companies with complementary product lines. In November 2018, the company commissioned its phenol and acetone manufacturing plant at Dahej under its wholly-owned subsidiary, DPL.

In FY2022, DNL, on a consolidated basis, reported a net profit of Rs. 1066.6 crore on an operating income of Rs. 6802.2 crore compared with a net profit of Rs. 775.8 crore on an operating income of Rs. 4361.3 crore in FY2021.

Key financial indicators (audited)

DNL Consolidated	FY2021	FY2022
Operating Income (Rs. crore)	4361.3	6802.2
PAT (Rs. crore)	775.8	1066.6
OPBDIT/OI (%)	28.7%	23.6%
PAT/OI (%)	17.8%	15.7%
Total Outside Liabilities/Tangible Net Worth (times)	0.5	0.3
Total Debt/OPBDIT (times)	0.5	0.2
Interest Coverage (times)	16.2	47.1

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	Current Rating (FY2023)				Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding as on Feb 29, 2022 (Rs. crore)	Date & Rating on	Date & Rating in FY2022	Date & Rating in FY2021		Date & Rating in FY2020
					June 13, 2022		March 26, 2021	June 17, 2020	
1	Term Loans	Long-term	-	-	-	-	[ICRA]AA (Stable)	[ICRA]AA- (Positive)	[ICRA]AA- (Stable)
2	Fund based limits	Long-term	300.00	-	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Stable)	[ICRA]AA- (Positive)	[ICRA]AA- (Stable)
3	Non-fund based limits	Short term	170.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4	Fund and non-fund based limits	Long term/ Short term	20.00	-	[ICRA]AA (Positive)/ [ICRA]A1+	[ICRA]AA (Positive)/ [ICRA]A1+	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA- (Positive)/ [ICRA]A1+	[ICRA]AA- (Stable)/ [ICRA]A1+
5	Unallocated limits	Long term/	-	-	-	-	[ICRA]AA (Stable)/	-	-

		Short term					[ICRA]A1+		
6	Commercial papers	Short term	200.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based Limits	Simple
Short Term Non-fund Based Limits	Very Simple
Long/Short Term Fund-based and Non-fund Based Limits	Simple/Very Simple
Short -term – Commercial Paper	Very 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: www.icra.in

Annexure-1: Instrument details

ISIN No.	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Fund based limits	NA	NA	-	300.00	[ICRA]AA(Positive)
NA	Non-fund based limits	NA	NA	-	170.00	[ICRA]A1+
NA	Fund and non-fund based limits	NA	NA	-	20.00	[ICRA]AA(Positive)/[ICRA]A1+
Unplaced	Commercial paper	NA	NA	7-365 days	200.00	[ICRA]A1+

Source: Company

Annexure-2: 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

Source: DNL Annual report

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