

February 27, 2025^(Revised)

Performance Chemiserve Limited: Ratings upgraded to [ICRA]AA- (Stable)/[ICRA]A1+ for bank lines; rating for NCD programme reaffirmed, outlook revised to Positive & withdrawn

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	1,744.00	[ICRA]AA- (Stable); upgraded from [ICRA]A+ (Stable)
Long term- Non-convertible debenture	900.00	-	[ICRA]AA-(CE) (Positive); reaffirmed and outlook revised to Positive from Stable & withdrawn
Long term – Fund-based – Cash credit	100.00	100.00	[ICRA]AA- (Stable); upgraded from [ICRA]A+ (Stable)
Short-term – Non-fund based- Others	500.00	500.00	[ICRA]A1+; upgraded from [ICRA]A1
Total	3,244.00	2,344.00	

Rating without explicit credit enhancement

[ICRA]AA-

*Instrument details are provided in Annexure I; Note: The (CE) suffix mentioned alongside the rating symbol indicates that the rated instrument/facility is to be backed by some form of explicit credit enhancement. This rating is specific to the rated instrument/facility, its terms and structure and does not represent ICRA's opinion on the general credit quality of the entity concerned. The table above also captures ICRA's opinion on the rating without factoring in the explicit credit enhancement.

Rationale

The upgrade in the ratings assigned to the bank lines of Performance Chemiserve Limited (PCL/the company) factor in the commissioning and stabilisation of the ammonia plant under the company. PCL produces ammonia, which is a key raw material used to manufacture key products of the Deepak Group entities, including Deepak Fertilisers & Corporation Limited {DFPCL, rated [ICRA] AA- (Positive)/[ICRA]A1+}, Mahadhan AgriTech Limited {MAL, rated [ICRA] AA- (Positive)/[ICRA]A1+} and Deepak Mining Solutions Limited (DMSL).

The Group produces technical ammonium nitrate (TAN), nitric acid and phosphatic fertilisers which require ammonia as the key input. The 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 meet the entire requirements of PCL for the next 15 years. As a result, the company's profitability and overall credit metrics will improve sharply FY2027 onwards. However, the profitability will still remain exposed to the spread between gas cost and ammonia prices.

ICRA has reaffirmed the rating of [ICRA]AA- (CE) assigned to the non-convertible debentures (NCD) along with the revision in the outlook to Positive from Stable and has simultaneously withdrawn the rating as the NCD was redeemed in December 2024 and in accordance with ICRA's policy on the withdrawal of ratings.

The Stable outlook on the long-term rating reflects ICRA's expectation that the credit profile of the company will remain stable in the near to medium, driven by an assured offtake of ammonia by the various Group entities which use ammonia as the key input for the products manufactured by them. 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. DMSL extended a corporate guarantee backing the NCD programme of the company, which has now been redeemed. The Deepak Group provided around Rs. 1,014.5 crore of inter corporate deposits (ICDs) to the company as on September 30, 2024, for debt servicing.

Low offtake risks owing to integrated operations with Deepak Group - PCL has entered into a take-or-pay offtake agreement with the 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, once the current capacity expansion of the Deepak Group in the TAN and nitric acid segments is completed, the entire ammonia from PCL will be consumed within the Group.

Credit challenges

Moderate credit profile - The credit profile of the company remains modest at a standalone level, given the subdued spread between the 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, 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 9% on the goods & service tax (GST) in the form of reimbursement of the state GST (SGST) for the ammonia sold in Maharashtra. This will support the company's profitability.

Liquidity position: Adequate

PCL's liquidity is expected to remain adequate, supported by 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 – ICRA could upgrade PCL's ratings if the consolidated credit profile of the Deepak Group improves.

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 decreases, resulting in a moderation of the credit metrics on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals Policy on Withdrawal of Credit Ratings
Parent/Group support	Parent company: Deepak Mining Solutions Limited. DMSL forms part of the consolidated view taken while arriving at the ratings for DFPC 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 and the operational linkages once the plant commences operations. 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 a parent, which holds 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	FY2023	FY2024	H1 FY2025
Operating income	7.0	1250.8	1033.0
PAT	6.2	-105.1	-127.9
OPBDIT/OI	48.9%	9.2%	2.8%
PAT/OI	88.2%	-8.4%	-12.4%
Total outside liabilities/Tangible net worth (times)	1.2	1.8	2.1
Total debt/OPBDIT (times)	572.0	23.8	49.9
Interest coverage (times)	344.0	0.6	0.2

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

DFPCL – Consolidated	FY2023	FY2024	9M FY2025*
Operating income	11301	8676	7607
PAT	1221	457	667
OPBDIT/OI	19.7%	15.1%	19.0%
PAT/OI	10.8%	5.3%	8.8%
Total outside liabilities/Tangible net worth (times)	1.2	1.1	-
Total debt/OPBDIT (times)	1.7	3.2	-
Interest coverage (times)	11.5	3.2	4.6

Source: Company, ICRA Research; * Unaudited; 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	Current (FY2025)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	27-Feb-25	FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating
Long term - Fund based - Term loans	Long term	1744	[ICRA]AA- (Stable)	23-May-23	[ICRA]A+ (Stable)	29-Jul-22	[ICRA]A+(CE) (Stable)	14-Jun-21	[ICRA]A(CE) (Stable)
				13-Jun-23	[ICRA]A+ (Stable)	16-Jan-23	[ICRA]A+ (Stable)	-	-
				29-Feb-24	[ICRA]A+ (Stable)	27-Mar-23	[ICRA]A+ (Stable)	-	-
Long term - Cash credit – Fund-based	Long term	100	[ICRA]AA- (Stable)	29-Feb-24	[ICRA]A+ (Stable)	-	-	-	-
Short term – Non-fund based - Others	Short term	500	[ICRA]A1+	29-Feb-24	[ICRA]A1	-	-	-	-
Non-convertible debentures	Long term	900	[ICRA]AA-(CE) (Positive); reaffirmed with outlook revised to Positive from Stable & withdrawn	13-Jun-23	[ICRA]AA-(CE) (Stable)	-	-	-	-
				29-Feb-24	[ICRA]AA-(CE) (Stable)	-	-	-	-
Non-convertible debentures	Long term	0	-	13-Jun-23	[ICRA]AA-(CE) (Stable)				
				29-Feb-24	[ICRA]AA-(CE) (Stable); Reaffirmed and Withdrawn				
Proposed non-convertible debentures	Long term	0	-	23-May-23	Provisional [ICRA]AA-(CE) (Stable)				

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term fund-based – Term loan	Simple
Long term – Fund-based – Cash credit	Simple
Short term – Non-fund based – Others	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: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Fund-based term loan	FY2024	NA	FY2033	1100.00	[ICRA]AA- (Stable)
NA	Fund-based proposed term loans	NA	NA	NA	644.00	[ICRA]AA- (Stable)
NA	Fund-based – cash credit	NA	NA	NA	100.00	[ICRA]AA- (Stable)
NA	Non-fund based limits - Others	NA	NA	NA	500.00	[ICRA]A1+
INE02UG07017	Non-Convertible Debentures	June 06, 2023	9.75%	June 06, 2026*	900.00	[ICRA]AA-(CE) (Positive); reaffirmed and outlook revised to Positive from Stable & withdrawn

Source: Company; * Redeemed in December 2024

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

Annexure II: List of entities considered for consolidated analysis – Not Applicable

Corrigendum: In the Annexure-I for the rationale dated February 27, 2025, the day of issuance and maturity has been added for the Non- Convertible Debentures.

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Prashant Vasisht

+91 124 4545 322

prashant.vasisht@icraindia.com

Varun Gogia

+91 98 7115 6542

varun.gogia1@icraindia.com

Abhijit Nadkarni

+91 70 4530 9908

abhijit.nadkarni@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.