

March 28, 2025

## Deepak Chem Tech Limited: Rating Reaffirmed

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term – Fund Based - Term loans	1202.00	1202.00	[ICRA]A (Stable); reaffirmed
Long Term/Short Term - Fund based/Non-fund based limits	200.00	200.00	[ICRA]A (Stable)/[ICRA]A2+; reaffirmed
<b>Total</b>	<b>1,402.00</b>	<b>1,402.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings assigned to Deepak Chem Tech Limited (DCTL/the company) factor in the strong parentage of Deepak Nitrite Limited (DNL, rated [ICRA]AA (Positive)/[ICRA]A1+) and its strategic importance to the latter as the company is an extended arm of the parent entity.

The ratings continue to take into account the long operating track record of the Deepak Group {comprising Deepak Nitrite Limited (DNL, rated [ICRA]AA (Positive)/[ICRA]A1+), Deepak Phenolics Limited (DPL, rated [ICRA]AA (Positive)/[ICRA]A1+ and Deepak Chem Tech Limited (DCTL)} in the chemical industry, its diversified product mix and end-user industries. ICRA notes the Group's leading market position in most 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 with flexibility to change the product mix as per the market requirements. ICRA also notes the Group's technical expertise to handle complex and hazardous chemical processes like nitration, hydrogenation and diazotisation. ICRA also factors in the integrated nature of operations of DCTL within the Deepak group as products being manufactured are largely either a forward integration or a backward integration from the existing operations of the Deepak group. Additionally, the products to be manufactured under the polycarbonate resin project will largely be import substitution product and thus the project is expected to witness healthy ramp up once commissioned.

The ratings, however, will remain constrained by the exposure of DCTL's profitability to the volatility in raw material prices for the products which the company will manufacture, going forward. The ratings are constrained by the project execution risk associated with the ongoing capex in the company. Currently the capex is largely divided into two parts i.e. a Rs. 2016 crore capex program which involves setting up of plants manufacturing benzo tri fluoride (BTF) which was commissioned in March 2024, benzo tri chloride (BTC), concentrated nitric acid (CNA), weak nitric acid (WNA), methyl isobutyl ketone (MIBK), methyl isobutyl carbinol (MIBC), specialty chemicals, ortho toluidine (OT) and a Rs. 5000 crore capex for setting up of polycarbonate (PC) resin plant by end of FY2028. There has been a delay in the execution of the Rs. 2016 crore capex from the earlier envisaged timelines by ~6 to 9 months while the capital outlay has also increased from Rs. 2016 crore earlier to Rs. 2400 crore owing to few changes in scope for the projects and minor cost over run. Additionally, the group under DCTL has embarked on a Rs. 5000 crore capex for setting up a 165 KTPA polycarbonate (PC) resin plant in India. The plant and technology for the PC resin plant has been purchased from Trinseo Plc for a consideration of \$ 52.5 million and will involve relocating the plant from Stade, Germany to India. Additionally, the group may explore the possibility of setting up backward integration facilities for the polycarbonate resin plant under DCTL, although the same is still at drawing board stage and ICRA will evaluate the impact on the credit metrics if and when these plans are finalised. Given the ongoing capex plans the group will remain exposed to project execution risk, although the group's track record of adopting new technologies, execution of sizeable Phenol project in past and purchase of PC resin plant with already established technology provides comfort to some extent. Nevertheless, the execution of the planned capital outlays will remain a key monitorable

The Stable outlook on the long-term rating reflects ICRA's opinion that the company's credit profile will remain stable, driven by its parentage and the expected ramp-up of the plants which will support the cash accruals.

## Key rating drivers and their description

### Credit strengths

**Part of the Deepak Nitrite Group which has a 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 xylydines, cumidines, colour intermediates and oximes. It 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's scale and profitability significantly improved. Further, the total capacity of IPA has doubled after the commissioning of the brownfield expansion in December 2021. The domestic demand for phenol and acetone far exceeds the domestic production at present. Moreover, with limited domestic competition, DPL has been able to garner a significant market share in the Indian market.

**Import substitution products to support healthy ramp up; part of the production to be captively consumed** – The company has various projects under execution, namely benzo tri chloride (BTC), benzo tri fluoride (BTF), concentrated nitric acid (CNA), weak nitric acid (WNA), methyl isobutyl ketone (MIBK), methyl isobutyl carbinol (MIBC), specialty chemicals, ortho toluidine (OT) . Majority of the chemicals will serve as backward and forward integration for the Group, which reduces the offtake risk. Hence, the projects, once completed, should provide an uplift to the cash generation from operations. Additionally, current polycarbonate resin demand is being met through imports and once the PC project under DCTL is commissioned, it will offer a domestic alternative for procuring PC resin and is thus expected to witness healthy ramp up.

### Credit challenges

**Profitability exposed to volatility in raw material prices** – The profitability of the company remains exposed to the volatility in raw material prices. As the products are largely of commodity nature, the profitability may be impacted when there is a significant volatility in raw material prices. However, the risk is partly mitigated by the forward/backward integration of the products within the complete value chain of the Deepak Nitrite Group.

**Project execution risks due to large-sized capex over the near to medium term** – The company plans to undertake sizable capex over the course of FY2026 to FY2028, which will expose the company to project execution risks and will lead to the moderation in the credit metrics for the group as well. ICRA also notes that the polycarbonate resin project is a large size capex, and the company will remain exposed to the project execution risk for the project given the lumpy nature of the investment. With the sizeable capex being executed in a short span of time and most of it being lumpy in nature will lead to moderation in the credit metrics of the group through to FY2028. However, once the projects are commissioned the overall credit profile of the group will witness improvement from FY2029 onwards. The timeliness of execution of the capex and within the capital outlay will remain key monitorable. However, the group's track record of adopting new technologies, execution of sizeable Phenol project in past and purchase of PC resin plant with already established technology provides comfort to some extent.

### Liquidity position: Adequate

DCTL's liquidity profile is expected to remain adequate, as the capex is being funded in a mix of debt/equity from the promoter company and the working capital requirements will be largely met by the sanctioned working capital limits. The company has sanctioned working capital limits to overcome any liquidity event, which, along with expectation of enhanced promoter support in a scenario of liquidity mismatches and moratorium on repayments in the near term, is expected to keep the liquidity profile adequate. The Group's free cash balance and liquid investments were at ~Rs. 776 crore as on December 31, 2024.

## Rating sensitivities

**Positive factors** – The ratings can be upgraded if the planned projects get commissioned within timelines and estimated capital outlay and subsequently stabilise and generate healthy cash accruals. An improvement in the credit profile of the parent group could also lead to an upgrade.

**Negative factors** – Any material time and cost overruns in the project, and/or inability of the company to fully operationalise the plant in a timely manner may trigger a downgrade. Also, weaker-than-expected revenue and profitability, having an adverse impact on the company's overall leverage and coverage metrics, would weigh on the rating. Weakening of the linkages with the parent group and/or weakening of the credit profile of the parent may also result in a downgrade.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology Chemical</a>
Parent/Group support	Group company: Deepak Nitrite Limited The ratings consider the likelihood of the parent, DNL, extending support to DCTL, should the need arise. The analysts have followed a parent-support uplift approach while rating DCTL's bank lines with DNL as the parent. DCTL is a wholly-owned subsidiary of DNL.
Consolidation/Standalone	Standalone

## About the company

Deepak Chem Tech Limited (DCTL) (formerly known as Deepak Clean Tech Limited) was incorporated on October 9, 2020 and is an wholly owned subsidiary of Deepak Nitrite Limited (DNL). The key objective of the company involves manufacturing of various basic and fine specialty chemicals. The proposed chemicals shall be sold in the open markets as well as in group companies. Some of the chemical products the company intends to manufacture include Benzo Tri Chloride (BTC), Benzo Tri Fluoride (BTF), Concentrated Nitric Acid (CNA), Weak Nitric Acid (WNA), Methyl Isobutyl Ketone (MIBK), Methyl Isobutyl Carbinol (MIBC), Specialty Chemical, Ortho Toluidine (OT).The company will also be setting up a 165 KTPA polycarbonate resin plant by FY2028 in Dahej.

## Key financial indicators (Audited/Provisional)

Standalone – DCTL	FY2023	FY2024
Operating income	0.0	0.9
PAT	-0.7	-7.7
OPBDIT/OI	-	-960.5%
PAT/OI	-	-894.2%
Total outside liabilities/Tangible net worth (times)	0.06	1.1
Total debt/OPBDIT (times)	-1.2	-60.0
Interest coverage (times)	-14.5	-22.9

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 amortization

## Key financial indicators (Audited/Provisional)

Consolidated	FY2023	FY2024	9MFY25*
Operating income	7,992	7,713	6,102
PAT	852	811	495

<b>OPBDIT/OI</b>	16.4%	15.0%	12.7%
<b>PAT/OI</b>	10.7%	10.5%	8.1%
<b>Total outside liabilities/Tangible net worth (times)</b>	0.3	0.3	-
<b>Total debt/OPBDIT (times)</b>	0.0	0.2	-
<b>Interest coverage (times)</b>	49.2	76.7	42.7

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; \* Provisional financials

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortization

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

Any other information: None

### Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years							
		Amount rated (Rs. crore)	Mar 28, 2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
<b>Term Loans</b>	Long term	1202.00	[ICRA]A (Stable)	09-Jul-2024	[ICRA]A (Stable)	-	-	-	-	-	-
<b>Fund and non-fund based limits</b>	Long term/ Short term	200.00	[ICRA]A (Stable)/ [ICRA]A2+	09-Jul-2024	[ICRA]A (Stable)/ [ICRA]A2+	11-Mar-2024	[ICRA]A (Stable)/ [ICRA]A2+	-	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity indicator
<b>Short term -Commercial Paper programme</b>	Simple
<b>Long Term/Short Term - Fund based/Non-fund based limits</b>	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	Term Loans	March 2024	NA	March 2036	1202.00	[ICRA]A (Stable)
NA	Fund and non-fund based limits	NA	NA	NA	200.00	[ICRA]A (Stable)/ [ICRA]A2+

Source: Company

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

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