

March 31, 2026

Mahadhan Agritech Limited (Erstwhile Smartchem Technologies 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	2,247.00	-	-
Long term – Fund based cash Credit	700.00	-	-
Short term – Non-fund based Limits	3,550.00	-	-
Long term/Short term - Unallocated limits	3.00	600.00	[ICRA]AA-; rating placed on watch with developing implications/ [ICRA]A1+; rating placed on watch with developing implications
Total	6,500.00	600.00	

*Instrument details are provided in Annexure I

Rationale

While arriving at the ratings, ICRA has taken a consolidated view of Deepak Fertilisers and Petrochemicals Corporation Limited (DFPCL) and its subsidiaries - Mahadhan AgriTech Limited (MAL), Deepak Mining Solutions Limited (DMSL) and Deepak GlobalChem Pte Ltd (DGPL) - 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 which includes entities mentioned in Annexure II.

The ratings for the Deepak Group 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 Performance Chemiserve Limited (PCL, rated [ICRA]AA-/ [ICRA]A1+; ratings on watch with developing implications). 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 the increased cost of inputs is expected to reflect in the end product prices and thus will provide cushion to some extent. 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 entire 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 upcoming TAN and nitric acid projects are expected to be operationalised by the end of Q1 FY2027, which will further cement the Deepak Group's position as a leading supplier of these chemicals in the country. The projects will augment the Deepak Group's profitability. Additionally, for PCL, the commencement of the new gas supply contract will moderate its gas costs, leading to an improvement in the operating profitability FY2027 onwards. As a result, the credit profile of the

consolidated entity will start improving from FY2027 with the completion of the capex programmes and the aforementioned factors supporting an improvement in profitability. However, ICRA notes that the leverage and coverage metrics will moderate in FY2026 because of the debt being availed for the ongoing projects.

The ratings continue to factor in the company's diversified product portfolio comprising phosphatic fertilisers and industrial and mining chemicals. The ratings also factor in the Deepak Group's strong market position in the mining chemical business, especially in TAN, and the industrial chemicals business, particularly in nitric acid and iso-propyl alcohol (IPA). The ratings also consider the Deepak Group's strong financial flexibility.

The ratings are, however, constrained by the agro-climatic and regulatory risks in the fertiliser business and the vulnerability of the chemical division's profitability to the inherent price cyclicity along with the volatility in natural gas prices. The ratings are also constrained by the project execution risk associated with the large debt-funded capex plans being undertaken by Group i.e., the TAN project at Gopalpur at a capital outlay of nearly Rs. 2,675 crore (~Rs. 2200 crore earlier) and the nitric acid plant at Dahej at a capital outlay of ~Rs. 1,985 crore. The company has incurred around Rs. 2,936 crore for these two projects by the end of December 2025 and the remaining capex is to be incurred in Q4 FY2026 and H1 FY2027. The large capex plan exposes the company to project execution risks and a timely commissioning of these projects within the proposed capital outlay will remain a key monitorable.

Further, ICRA notes that MAL had filed an appeal against an order of the Commissioner of Income Tax (Appeals) in response to the receipt of assessment and demand orders for the block period (assessment year 2015-2016 to assessment year 2019-2020) pursuant to the search operations conducted by the income tax department in November 2018. The department had raised a demand of Rs. 580.82 crore (including interest), which was decided against MAL by the Commissioner of Income Tax (Appeals). Thereafter, MAL has filed appeal against the order in the Income Tax Appellate Tribunal (ITAT). Appeals filed against the Income Tax assessment aggregating to Rs. 580.82 crore for assessment years 2015-16 to 2019-20, have been decided in favour of MAL by ITAT vide its order dated 24 July 2025. An application has been filed for rectification of certain mistakes in the ITAT order for AY 2015-16. While the assessing officer had also levied a penalty (including interest) of Rs. 478.9 crore for assessment year 2015-16 to 2018-19, a penalty amount of Rs. 382.8 crore has been waived post the filing of the appeal by MAL with the Commissioner of Income Tax (Appeals). Further, the company is awaiting deletion of Rs. 96.04 crore of penalty for AY 2015-16. ICRA will continue to monitor the development on this front.

Key rating drivers and their description

Credit strengths

Strong market position in domestic industrial chemical business - The Deepak Group has a strong market position in the existing chemical businesses of TAN, nitric acid and IPA. The Group is one of the leading players of TAN in the domestic market, supported by the superior product quality of low-density ammonium nitrate (LDAN), which commands a premium over AN-melt manufactured by domestic players and imported fertiliser-grade AN. The Group is one of the leading manufacturers of IPA and concentrated nitric acid (CNA) in the domestic market. It is also expanding its capacities in TAN, which would allow it to maintain its dominant position over a longer term. The backward integration to produce ammonia and a moderation in the production cost from FY2027 is expected to improve the competitiveness of these products further.

Diversified portfolio with shift towards value-added products- DFPC has a diversified revenue mix across industrial chemicals, mining chemicals and fertiliser. Additionally, the company has been focusing on a shift in its product mix towards value-added products to augment its profitability. Under the mining chemicals segment, the company remains the only producer of low-density ammonium nitrate (LDAN) in India. LDAN is a value-added product used for manufacturing ammonium nitrate fuel oil (ANFO) explosives. The company is also working to develop a service model under its TAN business to provide value-added service to the mining companies and in turn support the uptake of its mining chemicals. Similarly, in the nitric acid segment, the company is focusing on developing special grades of nitric acid to cater application specific requirements. The company has also been able to maintain stable profitability in its fertiliser segment wherein it has been focusing on ramping up its value-added products for crop-specific solutions.

Favourable demand prospects - The domestic demand outlook for the company's key products such as TAN, IPA and nitric acid remains healthy. The demand for TAN will be driven by the coal mining and infrastructure sectors, while the demand for nitric acid would be supported by the planned capacity addition in the downstream segments. The IPA market is expected to maintain a healthy growth, led by the growing end-user industry, namely the pharma sector, apart from dyes and paints. The demand for the fertiliser segment is also expected to stay healthy as the country remains dependent on imports to meet the phosphatic fertiliser requirements.

Healthy financial flexibility - The Group has a healthy financial flexibility, reflected in its fund-raising and refinancing ability. In the past, it had raised funds through rights issues, Qualified Institutional Placement (QIP) and Compulsorily Convertible Debentures (CCDs) which was subscribed by marquee domestic and international financial institutional investors, and from multilateral agencies.

Credit challenges

Profitability vulnerable to commodity prices - DFPCL's profitability remains exposed to the volatility in commodity prices. The realisations for its products remain closely tied with the global commodity prices of ammonium nitrate, ammonia, IPA etc. Additionally, key inputs like phosphoric acid and natural gas have always shown significant volatility, and the overall profitability remains vulnerable to the volatility in these prices. TAN prices had been under pressure from large-scale imports from Russia in the past, while the IPA segment is currently witnessing pricing pressure from the acetone-based IPA markets. Thus, the company's ability to navigate the commodity cycles through a diversified product mix with higher value addition will remain key to maintaining stable profitability.

Exposure to regulatory risks - The fertiliser business is exposed to agro-climatic risk and operates in a regulated environment. The selling prices of the products remain dependent on the subsidy allocated by the GoI to the various nutrients. DFPCL, thus, remains exposed to any sharp variation in the subsidy levels announced under the Nutrient-Based Subsidy (NBS) scheme and the timeliness of the subsidy payout by the GoI, apart from any other regulatory intervention on the product prices. ICRA also notes the regulatory overhang over additional claims by GAIL (India) Limited {rated [ICRA]AAA (Stable)/[ICRA]A1+} towards domestic gas supply. While the group has received favourable orders so far in this matter, GAIL has filed petitions in the Supreme Court of India. The matter is sub-judice.

Residual projection execution risk pertaining to the large debt-funded capex - The Deepak Group is undertaking a Rs. 4,700-crore capex programme (~ Rs. 2,936 crore incurred till December 2025) for setting up a 376-KTPA TAN project at Gopalpur, Odisha (capital outlay of nearly Rs. 2,675 crore), and a nitric acid plant at Dahej, Gujarat, with a capital outlay of nearly Rs. 1,985 crore. The company has tied up debt to fund both the projects with drawdowns already at healthy levels for project execution funding. Given the sizeable capex, the company will remain exposed to residual project execution risk and a timely completion of the projects within the current expected capital outlay will remain a key monitorable. However, comfort can be drawn from the fact that the capex is in the existing line of business, and the Group has a track record of efficiently running the operations of such plants.

Environmental and social risks

The industry in which the company operates and the products it deals with involves environmental hazards from exposure to chemical waste, pollution and toxicity. This has necessitated the company to increase its investments to meet the evolving and tighter regulatory standards. DFPCL is committed to the safety and preservation of the environment and believes in using natural and manmade resources in an optimal and responsible manner and ensure the sustainability of the resources by reducing, reusing, recycling and managing waste.

As per the company's disclosure, it shall continuously seek to improve its environmental performance by adopting cleaner production methods and promoting the use of energy-efficient and environment-friendly technologies. Energy consumption

is constantly monitored at the plants to achieve an overall reduction in its use. The processes are also reviewed and modified to reduce the requirement of water from time to time.

Growing awareness about the use of chemical fertilisers in farming and the rising preference for organic produce can impact fertiliser offtake. However, the productivity in organic farming remains low at present and, thus, the near-term risk to fertiliser offtake is low. Going forward, technological breakthroughs in developing organic alternatives with equal or better productivity can pose a significant threat to fertiliser offtake, although the threat remains long term in nature.

Liquidity position: Adequate

The liquidity position of the Deepak Group at a consolidated level remains adequate, supported by expectations of healthy cash flow from operations¹ of Rs. 650-700 crore in FY2026 which is expected to rise to Rs. 1,500-1,700 crore in FY2027, a healthy cushion in the working capital limits for DFPCL and MAL and ~Rs. 409 crores of cash balances as on December 31, 2025, in the Group. The company should be able to meet its debt servicing obligations over the next 12-18 months comfortably. The company has adequate tie-ups for meeting the project funding for the TAN and nitric acid projects which will support the liquidity position. The cash flow from operations and the debt tie-ups will be adequate to fund the ongoing capex plans and to meet the term debt repayments for the Group, going forward.

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 Group’s operational and financial profile.

Negative factors – A decline in profitability, and/or a stretch in the working capital position of the existing operations, or any material time and cost overruns in the capex projects, or any new large debt-funded capex might result in a sustained deterioration of the debt metrics and trigger a downgrade. A specific credit metric for downgrade would be net debt/OPBDITA of more than 2.5 times, on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals Fertilizers
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has combined the business and financial risk profiles of Deepak Fertilisers and Petrochemicals Corporation Limited with its subsidiaries, Mahadhan AgriTech Limited and Deepak Mining Solutions Limited, as they are an integral part of DFPCL’s operations. ICRA has considered the consolidated financials of Deepak Fertilisers & Petrochemicals Corporation Limited. As on December 31, 2025, the company had six subsidiaries, four step-down subsidiaries and one JV, that are enlisted in Annexure II

About the company

MAL is a wholly-owned subsidiary of DFPCL. MAL is engaged in the manufacturing of fertilisers, which include ammonium nitro phosphate (ANP), bentonite sulphur and NPK fertilisers. Its manufacturing facilities are at Taloja and Panipat. At present, the company has the capacity to manufacture 300 KTPA of ANP, 800 KTPA of various NPK grades and 57 KTPA of bentonite sulphur.

¹ Cash Flow from Operations = Operating Cash Flows Less Interest Paid less Cash Consumed to Fund the Working Capital Needs

The company focuses on western India for the supply of its fertilisers, while bentsulf is supplied to the northern market. In FY2025, through a scheme of arrangement and demerger of Mahadhan AgriTech Limited, the TAN business was demerged and it's now housed under Deepak Mining Solutions Limited, a wholly-owned subsidiary of Deepak Fertilisers and Petrochemicals Corporation Limited.

About the parent (DFPCL)

DFPCL was incorporated in 1979. The Group is involved in the manufacturing of nitro-phosphate (NP), nitrogen-phosphorous-potassium (NPK) and bentonite sulphur fertilisers, and industrial chemicals such as technical ammonium nitrate (TAN), methanol, nitric acid and iso-propyl alcohol (IPA). The manufacturing facilities are at Taloja, Dahej, Srikakulam and Panipat. It also owns a commercial mall in Pune.

DFPCL's promoters hold a 45.63% stake in the company with the rest being held by public and institutional investors. DFPCL currently houses the industrial chemical business, which includes the production and sale of iso-propyl alcohol and nitric acid. The company is also setting up a nitric acid capacity at its Dahej facility. DFPCL owns a 99.99% stake in Mahadhan AgriTech Limited (MAL) and Deepak Mining Solutions Limited (DMSL).

MAL houses the crop nutrition business (CNB) of the Group and manufactures and sells various grades of phosphatic fertilisers and water soluble fertilisers. The technical ammonium nitrate (TAN) business is under DMSL, which also holds 99.99% ownership in Performance Chemiserve Limited (PCL) that runs an ammonia manufacturing facility for the Group.

Key financial indicators (audited)

DFPCL – Consolidated	FY2024	FY2025	9MFY2026*
Operating income	8676	10274	8495
PAT	468	945	599
OPBDIT/OI	15.1%	19.1%	15.7%
PAT/OI	5.4%	9.2%	7.1%
Total outside liabilities/Tangible net worth (times)	1.1	1.0	-
Total debt/OPBDIT (times)	3.2	2.1	2.9
Interest coverage (times)	3.2	4.7	5.1

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

MAL– Standalone	FY2024	FY2025	9M FY2026*
Operating income	4159.2	5421.7	4849.0
PAT	-171.0	146.4	185.2
OPBDIT/OI	1.8%	8.9%	185.2
PAT/OI	-4.1%	2.7%	185.2
Total outside liabilities/Tangible net worth (times)	2.1	1.5	-
Total debt/OPBDIT (times)	24.7	2.4	-
Interest coverage (times)	0.3	2.3	4.7

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; * Provisional numbers

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	-	-	Feb 27, 2025	[ICRA]AA- (Positive)	Feb 29, 2024	[ICRA]AA- (Stable)	Jul 29, 2022	[ICRA]AA- (Stable)
								Dec 06, 2022	[ICRA]AA- (Stable)
Cash credit – Fund based	Long term	-	-	Feb 27, 2025	[ICRA]AA- (Positive)	Feb 29, 2024	[ICRA]AA- (Stable)	Jul 29, 2022	[ICRA]AA- (Stable)
								Dec 06, 2022	[ICRA]AA- (Stable)
Others – Non-fund based	Short term	-	-	Feb 27, 2025	[ICRA]A1+	Feb 29, 2024	[ICRA]A1+	Jul 29, 2022	[ICRA]A1+
								Dec 06, 2022	[ICRA]A1+
Unallocated	Long term / Short term	600.00	[ICRA]AA- Rating Watch with Developing Implications / [ICRA]A1+; Rating Watch with Developing Implications	Feb 27, 2025	[ICRA]AA- (Positive)/ [ICRA]A1+	Feb 29, 2024	[ICRA]AA- (Stable)/ [ICRA]A1+	-	-
Unallocated	Short term	-	-	-	-	-	-	Jul 29, 2022	[ICRA]AA- (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Unallocated limits	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	Unallocated	NA	NA	NA	600.00	[ICRA]AA-; rating watch with developing implications/ [ICRA]A1+; rating watch with developing implications

Source: Company

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Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Deepak Fertilisers & Petrochemical Corporation Limited	Parent	Full consolidation
Mahadhan AgriTech Limited	100%	Full consolidation
Platinum Blasting Services Pty Limited	100%	Full consolidation
Platinum Blasting Services (Logistics) Pty Limited (Formerly Australian Mining Explosives Pty Limited) Limited	100%	Full consolidation
Performance Chemiserve Limited	100%	Full consolidation
Deepak Mining Solutions Limited	100%	Full consolidation
Deepak Globalchem Pte. Ltd.	100%	Full consolidation
SCM Fertichem Limited	100%	Full consolidation
Deepak Nitrochem Pty Limited	100%	Full consolidation
Ishanya Brand Services Limited	100%	Full consolidation
Ishanya Realty Corporation Limited	100%	Full consolidation
Yerrowda Investments Limited	85%	Equity Method

Source: Company

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