

November 25, 2025

Thirumalai Chemicals Limited: Ratings reaffirmed; assigned for non-convertible debentures; outlook remains Negative

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund based - Term loan	440.04	437.05	[ICRA]A- (Negative); reaffirmed
Long term - Fund based - Working capital facilities	605.50	480.50	[ICRA]A- (Negative); reaffirmed
Short term – Non-fund based facilities	(780.00)	(680.00)	[ICRA]A2+; reaffirmed
Long term/Short term - Unallocated limits	185.00	200.00	[ICRA]A- (Negative)/[ICRA]A2+; reaffirmed
Short term – Non-fund based facilities	100.00	100.00	[ICRA]A2+; reaffirmed
Non-convertible debentures	-	100.00	[ICRA]A- (Negative); assigned
Total	1,330.54	1,317.55	

*Instrument details are provided in Annexure I

Rationale

The ratings factor in Thirumalai Chemicals Limited's (TCL) established track record and strong market position in the phthalic anhydride (PAN) segment in India, as well as the diversification benefits arising from the sale of downstream derivative products such as esters and food acids in India. The company will also benefit from the diversification derived from the sale of maleic anhydride (MAN), malic acid and fumaric acid from its greenfield project in West Virginia, USA, in a phased manner post its commencement in December 2025, which are also expected to generate higher operating margins. ICRA also notes that Cheminvest Pte Ltd. Singapore (a wholly-owned subsidiary of TCL), which is a majority shareholder in OOSB (the Malaysian entity manufacturing MAN), is exploring suitable options to divest the same, which is expected to improve the consolidated operating profitability.

The ratings, however, factor in a moderation in the performance of TCL in H1 FY2026 owing to weak PAN-OX spreads, higher fixed costs during the ramp-up of TCL Intermediates Private Limited's (TCLIPL) plant at Dahej and the one-time expenses incurred in the Malaysian entity towards retrenchment for closure, resulting in operating losses and weakening of debt protection metrics. The impact of US tariffs on the end products of clients, majorly in the unsaturated polyresin and pigment segments, also weakened the performance in H1 FY2026.

Pressure on the operating margins is expected to continue in the near term. However, the performance is expected to improve in the medium term upon the commencement of the US facility and a phased production of the higher margin products. Further, ICRA notes that the company has raised ~Rs. 450-crore equity and ~Rs. 100-crore non-convertible debentures (NCD). An additional equity raise of Rs. 56 crore from the promoters is underway, which is expected to support the liquidity position.

ICRA notes that the company's debt-funded capex plans have led to additional debt requirements and exerted pressure on its capital structure and coverage indicators. The company remains susceptible to project completion and ramp up risks due to its large capex plans. A timely completion of the US project without further cost or time overruns will continue to be a key monitorable. Once completed and stabilised, the projects are expected to offer a favourable product portfolio and geographical diversification, resulting in improved operating margins.

The ratings also remain constrained by the exposure of the profitability margins to fluctuations in raw material prices and TCL's presence in commodity chemicals, which limits its pricing flexibility.

The Negative outlook on the long-term rating reflects the pressure on TCL's operating margins and its impact on the debt coverage metrics, stemming from the volatility in PAN-OX spreads.

Key rating drivers and their description

Credit strengths

Extensive experience and market position in PAN – TCL is the second-largest player in India with a significant market share in the domestic PAN industry. The company's experience of five decades has led to established relationships with clients in key end-user industries such as plasticisers, copper phthalocyanine (CPC), paints and unsaturated polyresins (UPR). TCL also has a long-standing relationship with Reliance Industries Limited, the supplier of the raw material, OX, and operates on an assured offtake model.

Positive demand outlook in domestic end-user industries – Infrastructure investments and expansion in major end-user industries is expected to improve the demand for PAN in the domestic market in the medium term. Trade protection metrics, such as anti-dumping duty, and the mandatory Bureau of Indian Standards certification for PAN imports are expected to benefit domestic manufacturers.

Diversification into related chemicals – The company produces phthalate esters and fumaric acid, which are downstream derivatives. The contribution of these products has grown over the years. TCL is also setting up a greenfield integrated food ingredients production facility in the US. Such initiatives would provide diversification benefits to the consolidated entity in the medium term.

Credit challenges

Weak profitability and margins remain susceptible to volatility in spreads – TCL's realisations are influenced by the overall demand-supply dynamics in a region, given the limited product differentiation and the volatility in feedstock OX prices. The price of OX has been volatile and is based on crude oil prices and demand trends for other products in the xylene stream. Demand for the company's product and its working capital intensity are impacted during periods of high OX prices. The company's profit margin remains susceptible to the volatility in PAN-OX spreads, which has been impacted by global volatility including tariff changes, and it also depends on the demand-supply dynamics of PAN in the region.

The operating margins were impacted in FY2024, FY2025 and H1 FY2026 owing to reduced PAN-OX spreads and pressure on realisations from MAN, though the impact of MAN realisations has been minimised in FY2026 with minimal production. ICRA notes the company's exchange filing on the same, indicating proposed divestment initiatives, which are expected to improve the situation. Further, ICRA also notes that TCL's ability to withstand the aforementioned risks is better than the previous downturns owing to several cost-control initiatives undertaken by the company in the past few years.

Presence in commodity chemical industry and competition from imports limit pricing flexibility – The company operates in the commodity chemical space with the key end-user industries of the product being plasticisers, paints and unsaturated polyester resins, which are mainly used in the infrastructure, construction and automobile sectors. Hence, the demand is based on the broader economic conditions. With regard to supply, the market dynamics change significantly based on production and consumption in key markets such as China, Korea, and Southeast Asia. Though TCL has medium- to long-term contracts with many customers, the product realisations remain volatile.

Further, large capacities of the major players in the PAN industry in India have commenced operations, resulting in increased supply in the market. The reduced demand in the industry had led to players keeping some plants idle. Most of the end users of phthalic anhydride are in the infrastructure sector, and the Government's thrust on infrastructure is likely to improve the growth prospects for phthalic anhydride in India. The company's performance also remains susceptible to changes in Government policies and regulations regarding international trade and trade protection metrics.

Large debt-funded capex plans and project execution risks – TCL is in the process of undertaking a large capex under a subsidiary in the US to manufacture maleic anhydride and food acids, which is predominantly debt funded. The project has witnessed delays owing to the pandemic and various global tensions, which have delayed the shipments to the project site. The US project is expected to be completed in a phased manner, starting December 2025.

The company has also started the second phase of the Dahej project to add a PAN capacity of ~90,000 MTPA and fumaric acid capacity of ~10,000 MT. This project is fully commissioned. The ongoing capex for the US project exposes the consolidated entity to project completion and ramp-up risks and exerts pressure on the consolidated capital structure and coverage indicators over the near term.

Environmental and Social Risks

Safety and environmental health-related concerns associated with chemicals expose the industry to the risk of tightening regulatory norms for the production, handling, disposal and transportation of chemical products. Further, in the event of accidents, the litigation risks and liabilities for clean-up could be high. TCL has been a zero-liquid discharge company for the past several years and has also invested in the latest technology at its water treatment facility. While TCL has a demonstrated track record of running its operations safely, the nature of the risk (being low frequency-high impact) weighs on the ratings. TCL has a robust process safety management in place.

Further, operating responsibility is an imperative and instances of non-compliance with environmental, health and safety norms could have an adverse impact on the local community which could manifest in the form of protests, constraining the ability to operate or expand the capacity. TCL has not experienced/reported any incident suggestive of safety lapses in its manufacturing facilities over the past several years and its ability to maintain the manufacturing controls would be a monitorable.

Liquidity position: Adequate

The company's liquidity profile is adequate, supported by unencumbered cash and cash equivalents of ~Rs. 195 crore at the consolidated level as on September 30, 2025. Further, the expected equity infusion of ~Rs. 56 crore from promoters in H2 FY2026, along with an anticipated improvement in cash flow from operations in H2 FY2026 and FY2027, is expected to support the company's liquidity position. The company has principal repayment obligations of ~Rs. 41 crore in H2 FY2026 and ~Rs. 133 crore in FY2027, along with a planned capex during this period, which is expected to be serviced through the existing cash reserves, the proposed equity infusion and the operational cash flows.

Rating sensitivities

Positive Factors – A rating upgrade is unlikely in the near term owing to the Negative outlook. However, the outlook could be revised to Stable if the company demonstrates a sustained improvement in its margins and debt protection metrics.

Negative Factors - Pressure on the ratings could arise if there is inability to improve profitability and coverage metrics. Further a stretch in the working capital cycle and higher-than-estimated debt-funded capex, which will weaken the liquidity will also impact the ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financial profile of the company. The details of consolidation are provided in Annexure II

About the company

TCL started its operations in 1976 at Ranipet in Tamil Nadu as a single product petrochemical company, manufacturing phthalic anhydride, with a production capacity of 6,000 TPA. Over the years, TCL has expanded its total PAN manufacturing capacity to ~1,72,000 TPA, including Dahej phase 1, and has added other products to its portfolio, which includes food additives such as maleic acid and fumaric acid, and PAN derivatives such as di-ethyl phthalate (DEP) and phthalimide (PID).

In FY2025, the Dahej Phase II project was commissioned which added ~90,000-TPA capacity of PAN and ~10,000 TPA of fumaric acid. TCL caters to customers in the construction, auto, paint, food, personal care and pharmaceutical industries. It also has a maleic anhydride (MAN) manufacturing facility in Malaysia, under its step-down subsidiary, Optimistic Organic Sdn. Bhd. (OOSB).

Key financial indicators

TCL Consolidated	FY2024	FY2025	H1FY2026*
Operating income	2083.5	2,051.4	895.4
PAT	-38.79	-46.1	-93.3
OPBDIT/OI	2.73%	2.7%	-3.0%
PAT/OI	-1.86%	-2.2%	-10.4%
Total outside liabilities/Tangible net worth (times)	1.9	2.3	1.8
Total debt/OPBDIT (times)	22.0	32.1	-39.4
Interest coverage (times)	1.4	1.1	-0.6

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore; *Results

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current rating (FY2026)			Chronology of rating history for the past 3 years				
			Date & rating in FY2026			Date & rating in FY2025		Date & rating in FY2024		Date & rating in FY2023
			Nov 25, 2025	Aug 26, 2025	May 27, 2025	Dec 03, 2024	May 24, 2024	Feb 14, 2024	Aug 04, 2023	May 17, 2022
1 Term loans	Long term	437.05	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Stable)	[ICRA]A+(Stable)
2 Fund based limits	Long term	480.50	[ICRA]A- (Negative)	[ICRA]A- (Negative)	[ICRA]A (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Negative)	[ICRA]A+ (Stable)	[ICRA]A+(Stable)
3 Non-fund based facilities	Short term	100.00	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	-	-	-	-	[ICRA]A1+
4 Unallocated	Long term	-	-	-	-	-	-	-	-	[ICRA]A+(Stable)
5 Unallocated	Short term	-	-	-	-	-	-	-	-	[ICRA]A1+
6 Unallocated	Long term/ Short term	200.00	[ICRA]A- (Negative) / [ICRA]A2+	[ICRA]A- (Negative)/ [ICRA]A2+	[ICRA]A (Negative)/ [ICRA]A2+	[ICRA]A+ (Negative)/ [ICRA]A1	[ICRA]A+ (Negative)/ [ICRA]A1	-	-	-
7 Non-fund based facilities (sub limit)	Short term	(680.0)	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A1	[ICRA]A1	[ICRA]A1+	[ICRA]A1+	-
8 Short-term term loans	Short term	-	-	-	-	-	-	-	[ICRA]A1+	-
9 Non-convertible debentures	Long term	100.00	[ICRA]A- (Negative)	-	-	-	-	-	-	-

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long term fund based – Term loan	Simple
Long term– Fund-based limits	Simple
Short term non-fund based limits	Very simple
Short term non-fund based limits (sub-limit)	Very simple
Long term – Non-convertible debentures	Very simple
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 analyzing 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, is 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
-	Term loan I	06-07-2019	NA	31-07-2026	12.05	[ICRA]A-(Negative)
-	Term loan II	18-12-2023	NA	03-09-2031	200.00	[ICRA]A-(Negative)
-	Term loan III	24-10-2024	NA	30-11-2031	200.00	[ICRA]A-(Negative)
-	Term loan IV	01-11-2024	NA	31-12-2031	25.00	[ICRA]A-(Negative)
-	Fund based limits	NA	NA	NA	480.50	[ICRA]A-(Negative)
-	Non-fund based facilities (sublimit)	NA	NA	NA	(680.00)	[ICRA]A2+
-	Unallocated limits	NA	NA	NA	200.00	[ICRA]A-(Negative)/ [ICRA]A2+
-	Non-fund based facilities	NA	NA	NA	100.00	[ICRA]A2+
INE338A07021	Non-convertible debentures	09-06-2025	11%	04-06-2027	33.00	[ICRA]A-(Negative)
INE338A07013	Non-convertible debentures	09-06-2025	11.5%	04-06-2028	33.00	[ICRA]A-(Negative)
INE338A07039	Non-convertible debentures	09-06-2025	12%	04-06-2029	34.00	[ICRA]A-(Negative)

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company name	TCL ownership	Consolidation approach
Cheminvest Pte. Ltd.	100.00%	Full consolidation
Optimistic Organic Sdn Bhd.	100.00%	Full consolidation
Lapiz Europe Ltd	100.00%	Full consolidation
TCL Global B V	100.00%	Full consolidation
TCL INC	100.00%	Full consolidation
TCL SPECIALTIES LLC	100.00%	Full consolidation
TCL Intermediates Pvt Ltd	100.00%	Full consolidation

Source: Company

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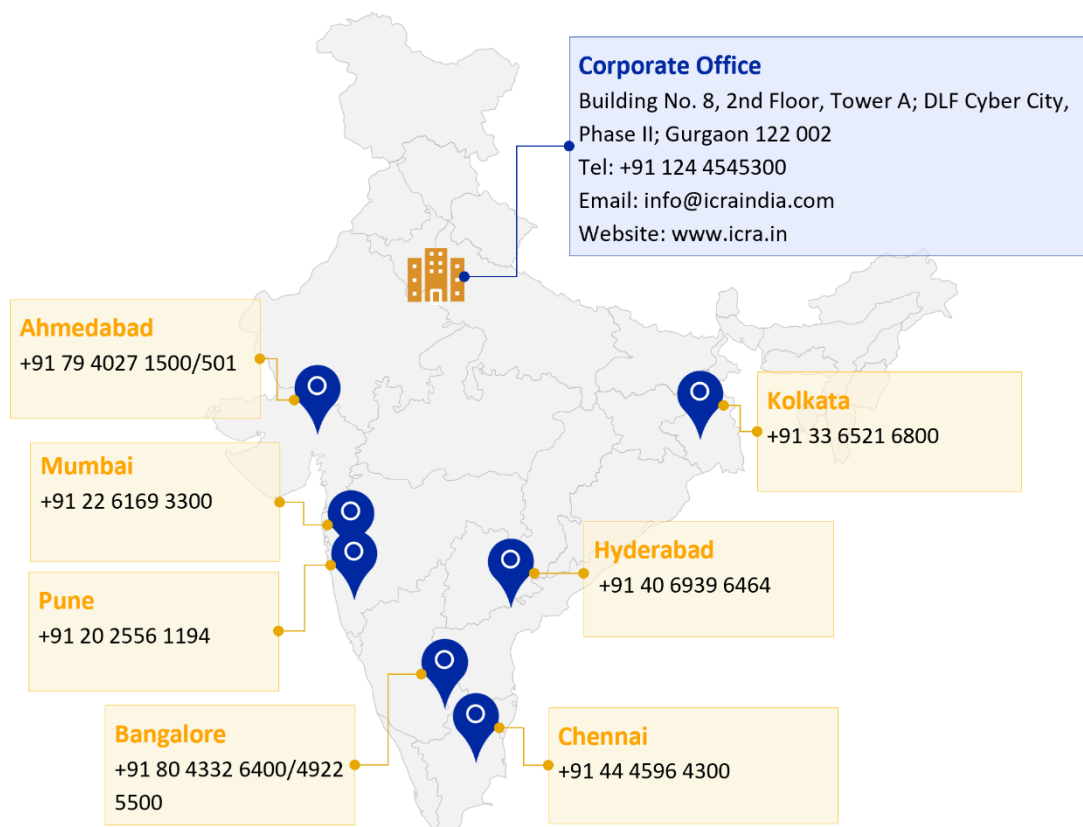


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