January 12, 2026

Thirumalai Chemicals Limited: Ratings downgraded to [ICRA]BBB+(Negative)/[ICRA]A2

Summary of rating action

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

**Instrument details are provided in Annexure I*

Rationale

The downgrade in the ratings of Thirumalai Chemicals Limited (TCL) factors in the weak PAN-OX spread (phthalic anhydride and its key raw material, orthoxylene), scenario, combined with the expected increase in debt because of further cost overruns in the US project that would weigh on the debt metrics and stretch the liquidity position amid increasing repayments from FY2027 onwards. The US project cost increased to USD 255 million in December 2025 from the previously estimated USD 240 million, majorly owing to higher construction costs in the US.

The ratings continue to factor in a moderation in the performance of TCL in H1 FY2026 and the expectation that it is likely to remain moderate in Q3FY2026, 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 the US tariffs on the end products of clients, majorly in the unsaturated polyresin and pigment segments, also weakened the performance in H1 FY2026. The pressure on the operating margins is expected to continue in the near term. However, the performance is expected to improve in the medium term with the commencement of the US facility in a phased manner, bringing to production higher margin products. Further, ICRA notes that the company has raised ~Rs. 450-crore equity, ~Rs. 100-crore non-convertible debentures (NCD) and an additional equity ~Rs. 56 crore equity from the promoters.

The ratings factor in the established track record and strong market position of TCL 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 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 entity, which is expected to improve the consolidated operating profitability.

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 the timely 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.

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, 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, thus, 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.

ICRA notes that the performance in Q3FY2026 is likely to remain moderate, however, with expected improvement in PAN-OX spreads, the performance is likely to improve in the medium term.

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 products 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 with cost overruns weakening debt metrics; timely completion and ramp-up of the entire US project remains key – 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 project has also witnessed multiple cost overruns over the years with change in scope and other geopolitical factors. The US project has commissioned in December 2025 is expected to be completed in a phased manner.

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. The US project's cost rose to USD 255 million in December 2025 from the previously estimated USD 240 million majorly owing to higher construction costs in the country.

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 responsibly 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: Stretched

The company's capex costs towards the US project faced another cost overrun, as per an exchange filing in December 2025, to USD 255 million from USD 240 million anticipated earlier, after multiple cost and time overruns over the years due to various reasons, including change in scope and the uncertain geopolitical scenario. Moreover, the cash flow from operations has been low in H1 FY2026 because of weak operating margins at the standalone level as well as at OOSB and TCL Intermediates Private Limited (TCLIPL), given the volatility in global PAN-OX and MAN realisation, the delayed start-up and the initial hiccups at TCLIPL. All these factors have kept TCL's liquidity profile stretched.

The company had unencumbered cash and cash equivalents of ~Rs. 195 crore at the consolidated level as on September 30, 2025. Further, the company has carried out an equity infusion of ~Rs. 56 crore from promoters in H2 FY2026. It has principal repayment obligations of ~Rs. 41 crore in H2 FY2026 and ~Rs. 133 crore in FY2027, along with a planned increase in capex during this period, which is expected to be serviced majorly through additional debt, partially through existing cash reserves and operational cash flows if any.

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, sustenance of stretched working capital cycle, time or cost overrun in the capex and inability to improve liquidity position 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 the 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 (PAN), 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 ~96,000-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). The company has also commenced its US project in December 2025, which is a facility for manufacturing MAN and food acids.

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

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; 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	Current rating (FY2026)						Chronology of rating history for the past 3 years				
		Type	Amount rated (Rs. crore)	Date & rating in FY2026				Date & rating in FY2025		Date & rating in FY2024		Date & rating in FY2023
				Jan 12, 2026	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]BBB+ (Negative)	[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]BBB+ (Negative)	[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]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]BBB+ (Negative)/ [ICRA]A2	[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]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]BBB+ (Negative)	[ICRA]A- (Negative)	-	-	-	-	-	-	-

Complexity level of the rated instruments

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

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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