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Mundhwa, Pune - 411 036, India.
Tel: +91 (20) 6645 8000

DEEPAK FERTILISERS
AND PETROCHEMICALS
CORPORATION LIMITED

19th April, 2024

The Secretary	Listing Department
BSE Limited	National Stock Exchange of India Ltd.
Phiroze Jeejeebhoy Towers,	Exchange Plaza,
Dalal Street, Fort,	Bandra - Kurla Complex, Bandra (E)
Mumbai – 400 001	Mumbai – 400 051
BSE Code: 500645	NSE Code: DEEPAKFERT

Dear Sirs,

Sub: Intimation pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 – Credit Rating for proposed Commercial Paper programme

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015, this is to inform you that the Company has been assigned a credit rating of 'CRISIL A1+' from CRISIL Ratings Limited (CRISIL) to the proposed commercial paper programme of the Company.

A copy of the detailed Rationale report issued by CRISIL in this regard is attached herewith and can also be accessed on the website of CRISIL at the link given below:

https://www.crisilratings.com/mnt/winshare/Ratings/RatingList/RatingDocs/DeepakFertilisersAndPetrochemicalsCorporationLimited_April%2019_%202024_RR_333569.html

This is for your information and record please.

Thanking you,

Yours truly,
For Deepak Fertilisers And Petrochemicals Corporation Ltd.

GAURAV
UMAKANT
MUNOLI

Digitally signed by GAURAV
UMAKANT MUNOLI
Date: 2024.04.19 18:53:52
+05'30'

Gaurav Munoli
Company Secretary
Membership No. A24931

Encl: as above

CRISIL Ratings

Rating Rationale

April 19, 2024 | Mumbai

Deepak Fertilisers And Petrochemicals Corporation Limited

'CRISIL A1+' assigned to Commercial Paper

Rating Action

Rs.1000 Crore Commercial Paper	**CRISIL A1+ (Assigned)**

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.
1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL A1+'** rating to the proposed commercial paper (CP) programme of Deepak Fertilisers And Petrochemicals Corporation Ltd (DFPCL; part of the Deepak Fertlizer group).

The rating reflects the strong business profile, marked by a diversified product range, broadly comprising industrial chemicals (IC), technical ammonium nitrate (TAN) and complex fertilisers. DFPCL holds a market leadership position in TAN and key IC products such as nitric acid, isopropyl alcohol (IPA). Further, commissioning of the ammonia project during fiscal 2024 has led to a healthy backward integration as ammonia is a key raw material,. For the ammonia plant, DFPCL has also signed long-term contracts for procurement of natural gas at competitive prices, so as to mitigate risk of price volatility and any shortage.

Consolidated revenue soared to Rs 11,301 crore in fiscal 2023, from Rs 7,663 crore in fiscal 2022, driven by higher contribution from the TAN and fertilisers business. However, growth has moderated to Rs 6,590 crore during the first nine months of fiscal 2024. The TAN business was impacted by correction in the global fertiliser grade ammonium nitrate (FGAN) prices (index to which TAN is linked) due to dumping from Russia. Revenue from the fertiliser business was also impacted (by one time impact of ~Rs 268 crore in the first-half of fiscal 2024), due to fall in nutrient-based subsidy (NBS) rates for complex fertilisers, resulting in lower subsidy per tonne. As a result, operating margin moderated to 12.8% over the same period, compared to 19.2% in fiscal 2023. The margin was also impacted as DFPCL booked losses of around Rs 87 crore, on account of stabilisation of the recently commissioned ammonia plant.

However, the operating margin should sustain at 18-20% over the medium term, higher than the historical long-term average, aided by benefits from backward integration in ammonia. In particular, the upward revision in NBS rates for the first half of fiscal 2025, along with stable raw material prices shall also lead to a higher margin for the fertiliser segment. For the TAN segment, profitability should improve with lower imports and better realisations. Going forward, DFPCL shall also benefit from the lower-priced natural gas, as per its long-term contract with Equinor, priced favourably than its existing contracts. Overall, uptrend in margin profile will also be driven by long-term strategy of DFPCL to transition from commodity-like products to more specialty products mix.

The ratings also reflect the healthy financial risk profile, marked by strong networth and debt protection metrics. The total outside liabilities to tangible networth (TOL/TNW) ratio was healthy at 1-1.2 times over fiscals 2022 and 2023, and should improve going forward. Debt has increased over last 2-3 years to fund the backward integration ammonia project. Going forward, the group may raise additional debt to fund its capacity expansion in TAN and nitric acid, with an estimated capital expenditure (capex) of ~Rs 4,000 crore over next 3-4 fiscals. CRISIL Ratings expects the net leverage to increase, peaking to around Rs 4,500 crore in fiscal 2026 and moderate gradually with likely improvement in margin and benefits from new capex starting from fiscal 2026. Despite higher leverage, debt protection metrics are expected to remain healthy, considering healthy accruals.

These strengths are offset by vulnerability to cyclicality in input prices and structural limitations that DFPCL faces in most of its segments, given its dependence on natural gas imports. Timely commissioning of the expansion projects underway, with no material cost overruns, also remains a monitorable, though CRISIL Ratings takes comfort from the fact that expansion is being undertaken in existing lines of business. DFPCL is also exposed to regulatory risk in the fertiliser business.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of DFPCL and its subsidiaries, collectively referred to as the Deepak Fertilizers group, given their significant operational, financial and managerial linkages.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- **Established position in domestic industrial chemical and TAN markets:** DFPCL is a market leader in the domestic industrial chemical business, being the largest manufacturer of nitric acid and the second largest manufacturer of IPA (with over 50% and 25% market share, respectively in fiscal 2023). Moreover, DFPCL also commands around 40% market share in the TAN business. This leadership should strengthen further with significant expansions planned in the nitric acid and TAN capacities.

- **Improving profitability and product mix:** The group plans to transition at least 30% of its portfolio in the industrial chemicals segment towards more specialised products, wherein it can command a niche and higher margin, for instance, steel and solar nitric acid and pharma-grade IPA. In the TAN business, DFPCL is the sole producer of low-density ammonium nitrate (LDAN), which is a specialised product used in ANFO explosives. Moreover, the group has initiated a total cost of ownership (TCO) model in the TAN segment, so as to improve mine productivity through outcome-based contracts, which should also contribute to higher margin going forward. In the fertiliser segment, it plans to focus on unique differentiated NPK products with better margin, for instance water-soluble fertilisers. Resultantly, the overall margin of the consolidated entity has improved from less than 15% over fiscals 2013 to 2020 to 15-20% thereafter (adjusting for one-time impact during the first nine months of fiscal 2024).

- **Healthy financial risk profile, constrained by significant debt-funded capex:** Financial risk profile is marked by strong networth and debt coverage ratios, and will be driven by better operating efficiency, arising out of the enhanced product mix and benefits from backward integration in ammonia.

  However, this will be offset by sizeable debt that is required to fund capacity expansion plans. DFPCL plans to increase TAN capacities by 3,76,000 MTPA, through a brownfield expansion in Gopalpur, Odisha. This project is expected to be commissioned in the second half of fiscal 2026 and has achieved financial closure. The total project cost is estimated to be around Rs 2,200 crore, funded through debt of Rs 1,541 crore. DFPCL also plans to augment nitric acid capacities in Dahej, Gujarat, (Weak Nitric Acid (WNA) plant with capacity of 300 KT PA and Two (2) Concentrated Nitric Acid (CNA) plants with total capacity of 150 KT PA). This project is expected to be completed by the second half of fiscal 2026. The total project is estimated to be around Rs 1,950 crore, funded through 70% debt and 30% equity. The group has secured a bridge loan of Rs 700 crore for a tenure of 18 months, which will eventually be adjusted once the long-term project loan is tied up. Any delay and/or material cost overruns for these projects will be key items to monitor.

Weaknesses:

- **Exposure to structural limitations and cyclicality in commodity prices:** DFPCL faces commodity cycles in all their business segments, which impact both input and final product prices. DFPCL has however strengthened its raw material availability with diversified supplier base for its fertilizer segment while the ammonia availability risk has reduced with commencement of operations of Ammonia plant in fiscal 2024.

  Moreover, with India being an importer of natural gas - which is the input for primary feedstock, ammonia - the group faces structural limitations in many of its business segments. However, variations in natural gas supply are mitigated as the group has long-term natural gas tie-ups. The contracts also have defined pricing formulas which mitigate the volatility associated with spot gas prices. The group will further benefit from the long-term natural gas contract that DFPCL has signed with the Norwegian-based company Equinor, effective from May 2026, at more competitive prices than existing contracts. However, other inputs for the fertilizer business, such as phosphoric acid and phosphate, continue to be imported. Hence, realizations and profitability will remain a function of raw material prices and commodity cycles. Going forward, the group’s ability to limit fluctuations in realizations and margins of final products through a diversified product mix will remain key for stable profitability.

- **Exposure to regulatory risk in the fertiliser industry:** Given the government’s thrust on self-sufficiency in food grain production, the fertiliser industry is strategic, but highly regulated. Hence, players are susceptible to regulatory changes and delay in subsidies from the government, leading to higher reliance on working capital debt.Any deferment in disbursal of subsidies on account of under-budgeting and any change in the regulatory scenario remain key rating sensitivity factors.

Liquidity: Strong

Expected net cash accrual of over Rs 1000 crore per fiscal in 2025 and 2026, should suffice to cover the yearly term debt of Rs 250-500 crore. Capex of Rs 4,000 - 4,200 crore, planned to be incurred over the next three years, will be funded through a mix of long-term debt, equity and internal accruals. Working capital requirement shall be met through net cash accrual and fund-based bank limit of around Rs 1,000 crore (around 50% utilisation). Moreover, the group has access to the equity and the bond markets.

Rating Sensitivity factors

Downward factors

- Weaker-than-expected operating performance, with fall in overall margin below 12-13%, on a sustained basis.
- Any large, debt-funded capex or acquisition, or significant cost overrun in existing capex, leading to material impact on debt metrics; for instance, net debt/EBITDA staying above 3 times on a sustained basis.

About the Group

DFPCL is among the India’s leading manufacturers of industrial chemicals and fertilisers. The group mainly operates in three verticals - industrial chemicals, crop nutrition (fertilizers) and technical ammonium nitrate. DFPCL is a publicly listed company.

The group has plants in five states, namely Maharashtra (Taloja), Gujarat (Dahej), Andhra Pradesh (Srikakulam), Haryana (Panipat) and Odisha (Gopalpur). It also owns a commercial mall space called Creaticity in Pune.

Mahadhan Agritech Limited (MAL; rated CRISIL A1+) is a wholly owned subsidiary of DFPCL. It is engaged in manufacturing NPK and specialty fertilisers in India, under its flagship brand, Mahadhan. It also manufactures DNA and ammonia, which acts as a raw material for both the fertilisers and chemicals segment.

The TAN business, which is currently under MAL, is being demerged into a new entity named Deepak Mining Solutions Ltd (DMSL), which will also be a wholly owned subsidiary of DFPCL. The ammonia production business will be housed under Performance Chemiserve Ltd (PCL), which will be owned by DMSL. The scheme for demerger of these businesses has been filed with the National Company Law Tribunal in December 2022 and the order was pronounced in January 2024.

Key Financial Indicators - DFPCL (Consolidated)

As on/for the period ended March 31	Units	2023	2022
Operating income	Rs.Crore	11,301	7,663
Reported profit after tax	Rs.Crore	1,221	687
PAT margin	%	10.8	9.0
Adjusted debt/adjusted networth	Times	0.71	0.66
Interest coverage	Times	11.55	9.04

Source: Company, CRISIL Ratings-adjusted

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate	Maturity date	Issue size (Rs.Crore)	Complexity levels	Rating assigned with outlook
NA	Commercial Paper*	NA	NA	7-365 days	1,000	Simple	CRISIL A1+

Yet to be issued

Annexure - List of Entities Consolidated

Name of entity	Extent of consolidation	Rationale for consolidation
Mahadhan AgriTech Ltd	Full consolidation	Strong operational, financial and managerial linkages
Deepak Nitrochem Pty Ltd	Full consolidation	Strong operational, financial and managerial linkages
Deepak Mining Soluations Ltd (DMSL)	Full consolidation	Strong operational, financial and managerial linkages
SCM Fertichem Ltd	Full consolidation	Strong operational, financial and managerial linkages
Ishanya Realty Corporation Ltd	Full consolidation	Strong operational, financial and managerial linkages
Ishanya Brand Services Ltd	Full consolidation	Strong operational, financial and managerial linkages
Yerrowda Investments Ltd	Equity method	Strong operational, financial and managerial linkages
Mahadhan Farm Technologies Ltd [Subsidiary of MAL]	Full consolidation	Strong operational, financial and managerial linkages
Performance Chemiserve Ltd [Subsidiary of MAL]	Full consolidation	Strong operational, financial and managerial linkages
Platinum Blasting Services Pty Ltd (PBS) [Subsidiary of MAL]	Full consolidation	Strong operational, financial and managerial linkages
Australian Explosives Pty Ltd (AME) [Subsidiary of PBS]	Full consolidation	Strong operational, financial and managerial linkages

Annexure - Rating History for last 3 Years

	Current			2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Commercial Paper	ST	1000.0	CRISIL A1+		--		--		--		--	--

All amounts are in Rs.Cr.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufaturing and service sector companies
Rating Criteria for Chemical Industry
Rating Criteria for Fertiliser Industry
CRISILs Criteria for rating short term debt
CRISILs Criteria for Consolidation

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CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

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For more information, visit www.crisilratings.com

About CRISIL Limited

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It is India’s foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

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