

## Tamilnadu Petroproducts Limited

December 24, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	316.00 (Enhanced from 291.00)	CARE A+; Stable	Reaffirmed
Long-term / Short-term bank facilities	105.00 (Reduced from 115.00)	CARE A+; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Ratings assigned to bank facilities of Tamilnadu Petroproducts Limited (TPL) consider a strong financial profile marked by a comfortable leverage position and strong liquidity. Ratings continue to take comfort from its long track record, moderate integration of operations, and established market position in the domestic Linear Alkyl Benzene (LAB) market. Ratings also take note of the progress in its partly debt-funded capacity expansion programme and improving profitability supported by favourable raw material prices and the imposition of anti-dumping duty on LAB imports from two key importing nations. However, ratings are constrained by significant dependence on a single product and end-user industry, the commoditised nature of the business with limited pricing flexibility, intense competition in the industry, and the threat from imports.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Consistent increase in scale of operations beyond ₹3,000 crore.
- Sustained improvement in the profit before interest, lease rentals, depreciation and taxation (PBILDT) margins above 15%.
- Reduction in group exposure.

#### Negative factors

- Decline in PBILDT margins below 4% on a sustained basis.
- Increase in leverage marked by overall gearing exceeding 0.5x and deterioration in liquidity position which is presently marked by healthy cash balances.
- Any significant delay in completion of the ongoing projects and stabilisation of operations.

### Analytical approach: Standalone

#### Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CareEdge Ratings') belief that TPL will continue to maintain its established market position and healthy financial risk profile over the medium term.

### Detailed description of key rating drivers:

#### Key strengths

##### Long track record of operations

TPL is a part of the AM International group, which has nearly five decades' operational track record in petrochemicals and allied industries. TPL has been in operations for over three decades, and has three major divisions: LAB, Heavy Chemical Division (HCD), and Propylene Oxide (PO), with LAB contributing 83% revenue in FY25 (refers to April 01 to March 31), while HCD and PO contribute 9% and 7%, respectively.

##### Established market position backed by strong relationships with reputed clientele

TPL is one of the leading manufacturers (~23% domestic capacity) of LAB in the domestic market and only manufacturer in South India. The company has established strong relationships with reputed fast-moving consumer goods (FMCG) players for LAB. TPL enters firm off-take agreements with major FMCG players under annual contracts where prices are fixed monthly based on international prices of key raw materials. Majority revenues of LAB division are from firm off-take agreements.

Apart from LAB, TPL has also established long-standing relationship with its clientele for the HCD division. In the HCD division, the company manufactures caustic soda and its by-product, Chlorine. Caustic soda is sold to major players, while chlorine is partly

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

consumed internally and partly sold to group company, Manali Petrochemicals Limited (MPL; rated 'CARE A+; Stable/ CARE A1+'). PO, manufactured by TPL since January 2019, is majorly sold to its group company, MPL.

### **Moderately integrated operations**

One of the major raw materials required for manufacturing LAB is N-Paraffin (NP). TPL has an in-house facility to manufacture NP, which provides cost competitiveness against imported NP. TPL's plant is at Manali, Chennai adjacent to the refinery of Chennai Petroleum Corporation Limited (CPCL) and company obtains the feedstock (Kerosene) from CPCL through dedicated pipeline. With the backward integration, dependence on higher cost imports of N-Paraffin has gradually reduced.

Since production of LAB is also a continuous process, disruption in power would impact the production line. This is mitigated with the company using its own power source for captive consumption. The LAB plant maintained a high utilisation rate of 80%-90% over the last three years, except for FY24, where it dropped to 74% due to a 54-day production disruption caused by cyclone Michaung in December 2023 and subsequently revived back to 86% in FY25.

In the HCD business, the major by-product in the production of caustic soda is chlorine. Disposal of chlorine is a major challenge faced by caustic soda units. However, with the in-house PO plant using the hydrochlorination process for manufacturing, there is an increase in the captive consumption of chlorine and higher utilisation of the caustic soda unit. The capacity utilisation of caustic soda plant has been consistently high at ~70-80% over the last four years, however, marginally moderated in H1FY26 considering intense competition. Overall, the company's integrated operating structure supports operating efficiency and utilisation stability across its key business segments.

### **Progress in expansion project**

In LAB division, the company has proposed to increase capacity from 120,000 MTPA to 145,000 MTPA at an estimated cost of ~₹310 crore. In HCD division, TPL proposes to replace the current mono-polar membrane technology for manufacturing caustic soda with Bipolar membrane technology with a new 250 TPD Cell House with an electrolyzer. This is expected to be done at an estimated cost of ₹214 crore. Project cost is to be funded in the debt-equity ratio of 39:61, towards which a sanction for loan of ₹200 crore has been obtained. Additionally, the company is also investing ₹115 crore in the installation of Molex sieves in the LAB plant fully funded out of internal accruals. Of the total estimated capex of ₹639 crore, the company has already expended ~₹519 crore with debt support of ₹165 crore as on October 31, 2025. Despite the sizable project outlay, the debt component remains moderate and given the company's comfortable capital structure and available cash balance of ~₹237 crore as on September 30, 2025, the impact on leverage is expected to be limited. The enhanced capacity is scheduled for commissioning in Q4FY26, with a planned plant shutdown of around two months for integration and commissioning. Timely execution, operational stabilisation post-expansion, and successful off-take of incremental volumes will be critical to the company's future performance.

### **Comfortable capital structure**

Overall gearing remained comfortable at 0.36x as on September 30, 2025. The company has investments in subsidiaries which stood at ₹96.45 crore as on September 30, 2025, representing ~11% of TPL's net worth. These companies were incorporated over a decade ago for some projects in Southeast Asia, but currently are non-operational. Adjusting for the exposure in subsidiaries from the net worth, overall gearing continues to remain healthy at 0.41x as on September 30, 2025.

### **Key weaknesses**

#### **Volatile profitability with signs of recovery in H1FY26, though temporary disruption expected in H2FY26**

The company's profitability has exhibited volatility in the last three years, despite a generally stable revenue trajectory. While FY24 operations were adversely impacted by plant disruptions caused by Cyclone Michaung, the company had to undertake high cost import in FY25, as the primary raw material supplier underwent three-month maintenance shutdown. Pricing pressure on the end product (LAB) on the back of increased import also weighed on the company's profitability. However, recovery in profitability was witnessed in H1FY26, with PBILDT margin improving to 9.67% (H1FY25: 2.13%), on the back of improved LAB realisation and drop in raw material cost. On June 23, 2025, the Government of India imposed a five-year anti-dumping duty on LAB imports from Iran and Qatar, improving LAB realisations. Price of key raw material, Benzene, also has declined on the back of softening crude price supporting the margin expansion. However, operations are expected to be partially impacted in H2FY26 due to a planned two-month shutdown for commissioning activities of the ongoing projects, which may moderate sales and operating margins during the period. Timely completion of the ongoing project and stabilisation of enhanced capacity will be critical for sustaining profitability over the medium term.

### **Concentration on product and end-user industry**

The company's main product, LAB, is a crude derivative. While the company has presence in the HCD division and its PO division, the dependence on LAB remains high at ~85%. LAB finds applications in the FMCG segment and the company's customer profile is hence concentrated within the FMCG space. The top 10 customers in the segment account for over 80% sales in this division. However, there has been consistent business from these reputed players over the years. The company has diversified customer base in the spot market, contributing ~20-30% of the TOI, fetching better realisation than the traditional contractual customers.

#### **Limited pricing flexibility due to commoditised nature of products**

The company operates in a highly commoditised industry with limited product differentiation. Domestic LAB realisations have remained stable to firm in recent months, supported by the imposition of anti-dumping duties (ADD) and healthy end-user demand. This has provided some cushion against competitive pressures from large integrated petrochemical players, who otherwise enjoy significant pricing flexibility compared to standalone players such as TPL.

However, TPL's margins remain exposed to volatility in the prices of key raw materials such as benzene and kerosene, which are linked to crude oil prices. While the company mitigates this risk to an extent through monthly price revisions based on the previous month's average raw material costs, sharp swings in crude prices continue to pose short-term challenges. The HCD division is inherently cyclical, with prices exhibiting considerable volatility, which adds to the overall earnings risk profile of the company.

#### **Competitive industry with import pressure; recent ADD imposition provides near term support**

With improved awareness of surfactants and detergent and availability of no major substitute for the product, the consumption of LAB has increased in the past few years. At the same time, continuation of imports into the country has been a constraint for domestic LAB manufacturers in terms of pricing. On June 23, 2025, GOI imposed five years ADD on LAB import from Iran and Qatar, which led to improved LAB realisation in the past few months. The demand is expected to be favourable considering the rising population and increased awareness of hygiene. There is a supply demand deficit due to an increase in demand for home-care and cleaning chemicals, while there is a lower level of investment in expansion of domestic capacities of LAB. TPL is also embarking on an expansion programme on the LAB division as the demand outlook would remain positive. While imports continue to remain a threat as referred earlier, most buyers prefer dual sourcing models, and TPL is expected to benefit from the same by capitalising on the existing relationship with its customers and tie up capacities in the near term. On the caustic soda front, after a dip FY24 considering cyclical downturn, the prices recovered in FY25. The inherent cyclicity of the caustic soda industry poses a threat to the companies' margins. TPL is embarking on a capacity expansion cum-change of technology for the HCD division which is expected to aid in margins to a certain extent.

#### **Liquidity: Strong**

Liquidity of TPL remains strong marked by gross cash accruals of ₹84 crore for H1FY26 against principal repayment obligation of ₹33 crore for full year FY26. TPL makes payments to major suppliers in two weeks. Given the nature of industry and the customer profile (mostly MNCs) collection period also remains healthy. The average fund-based working capital utilisation for the last 12 months ending September 2025 is comfortable at ~20.79%. The company has strong cash and bank balances of ₹236.90 crore as on September 30, 2025.

#### **Applicable criteria**

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

#### **About the company and industry**

##### **Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Commodities	Chemicals	Chemicals and petrochemicals	Petrochemicals

Headquartered in Chennai, TPL is a part of the AM International group. TPL was set up in 1984 as a joint venture between SPIC Limited and Tamil Nadu Industrial Development Corporation (TIDCO). The company has three divisions: HCD, LAB, and PO. The LAB division is engaged in manufacturing LAB, which is a key input for manufacturing detergents. HCD is engaged in manufacturing caustic soda and chlorine (by-product of caustic soda). In FY19, TPL started manufacturing PO. As on September

30, 2025, the company has an installed capacity 120,000 metric tonne per annum (MTPA) of LAB, 56,100 MTPA of caustic soda, and 15,000 MTPA PO. TPL's production facilities are in Manali, an industrial suburb of Chennai.

**Brief financials**

(₹ crore)

Particular	March 31, 2024 (A)	March 31, 2025 (A)	H1FY26(UA)
Total operating income	1668.57	1826.78	920.35
PBILDT	72.68	64.20	88.98
PAT	42.78	51.42	65.29
Overall gearing (times)	0.02	0.16	0.36
Interest coverage (times)	10.12	10.26	21.70

A: Audited UA: Unaudited; Note: these are latest available financial results

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

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	116.00	CARE A+; Stable
Non-fund-based - LT/ ST-BG/LC		-	-	-	105.00	CARE A+; Stable / CARE A1+
Term Loan-Long Term		-	-	August 2031	200.00	CARE A+; Stable

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023
1	Fund-based - LT-Cash Credit	LT	-	-				
2	Fund-based - LT-Cash Credit	LT	116.00	CARE A+; Stable	1)CARE A+; Stable (26-May-25)	1)CARE A+; Stable (03-Jan-25)	1)CARE A+; Stable (21-Dec-23)	1)CARE A+; Stable (09-Dec-22)
3	Non-fund-based - LT/ ST-BG/LC	LT/ST	105.00	CARE A+; Stable / CARE A1+	1)CARE A+; Stable / CARE A1+ (26-May-25)	1)CARE A+; Stable / CARE A1+ (03-Jan-25)	1)CARE A+; Stable / CARE A1+ (21-Dec-23)	1)CARE A+; Stable / CARE A1+ (09-Dec-22)
4	Term Loan-Long Term	LT	200.00	CARE A+; Stable	1)CARE A+; Stable (26-May-25)	1)CARE A+; Stable (03-Jan-25)	1)CARE A+; Stable (21-Dec-23)	1)CARE A+; Stable (09-Dec-22)

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-BG/LC	Simple
3	Term Loan-Long Term	Simple

**Annexure-5: Lender details**To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CareEdge Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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