

Rating Rationale

August 08, 2025 | Mumbai

Dorf-Ketal Chemicals India Limited

Ratings reaffirmed, Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.1741.6 Crore (Enhanced from Rs.1228.6 Crore)
Long Term Rating	Crisil AA/Stable (Reaffirmed)
Short Term Rating	Crisil A1+ (Reaffirmed)

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 reaffirmed its 'Crisil AA/Stable/Crisil A1+' ratings on the bank facilities of Dorf-Ketal Chemicals India Ltd (Dorf-Ketal; a part of the Dorf Ketal group).

The reaffirmation considers the continued healthy business and financial risk profile of the company. Revenues grew by 12% on-year to Rs 6,130 crore in fiscal 2025 vis-à-vis a strong growth of 42% in the previous year which was largely led by acquisitions. Growth this year has been driven by the existing businesses, which grew ~9% on-year amidst industry turmoil, while the acquired businesses viz. Fluid Energy Ltd and Impact Fluid Solutions, LP (Impact Fluid) faced some slowdown. The operating profit remained comfortable at 16.3% in fiscal 2025 vis-à-vis 17.1% in fiscal 2024. The moderation seen was largely led by softer realisations in the existing business portfolio and mark-up adjustments to acquired inventory in Impact Fluid in accordance with the purchase price allocation as per Ind-AS and the low margins of business acquired from Clariant.

The ratings also factor the moderate financial risk profile of the group, with overall net debt increasing to Rs 2,995 crore in March 2025 from Rs 932 crore in fiscal 202; primarily to fund acquisition of Impact Fluid, promoter take-out of around Rs 610 crore in the form of dividend and related party transactions through loans and advances extended to other promoter group entities. These dividend payouts are expected to be a one-time pay out to the promoters. The company is in the process of getting listed in the near term, wherein Securities and Exchange Board of India (SEBI) has approved the Draft Red Herring Prospectus (DRHP) in June 2025. A portion of the listing proceeds to the tune of Rs 1,500 crore would be used to retire outstanding debt as well as for general corporate purposes. While the leverage metrics have moderated in fiscal 2025, with net debt/ earnings before interest, taxes, depreciation, and amortisation (Ebitda) increasing to nearly 3 times (from less than 1 time in fiscal 2024), overall financial risk profile is expected to significantly improve in fiscal 2026 post issuance of the initial public offering (IPO).

The ratings continue to reflect the established market position of the Dorf Ketal group, with strong research and development (R&D) capabilities. These strengths are partially offset by susceptibility to volatility in raw material prices and large working capital requirement.

Analytical Approach

Crisil Ratings has combined the business and financial risk profiles of Dorf-Ketal and its subsidiaries, including Impact Fluid Solutions. All these entities, collectively referred to as the Dorf Ketal group, have significant business and financial synergies.

Crisil Ratings has amortised goodwill over 5-10 years beginning from the year of acquisition and has adjusted profit after tax (PAT) and networth accordingly.

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 market position: The market position is supported by expertise in the specialty chemicals segment, strong brand and clientele and diverse geographic presence. With a track record of over two decades in the process and specialty

chemicals business, the group is among the leading players in the domestic market and serves large clients such as Vedanta Ltd, ExxonMobil Corporation, Reliance Industries Ltd and Indian Oil Corporation Ltd. The group is a preferred supplier of various chemicals in the US, the Middle East, Brazil and Southeast Asia. Dorf-Ketal has acquired new businesses in the fuel additive and oilfield segments over the past two years. Strong product portfolio, diverse end-user industries and longstanding relationships with customers will continue to support the business. With the acquisition of the synthetic and modified acids division of Fluid Energy, the company has established its presence in the modified acids segment, which has strengthened the revenue profile with enhanced product and customer diversity and varied industry applications. The acquisition of Impact Fluid further added a range of products to the existing portfolio which are used to improve drilling efficiency. Through enhanced product offerings, the company will be able to better synergise its offerings in the oilfield segment.

Strong R&D capability: The group's success is underpinned by its ability to meet customer requirements and focus on offering customised solutions. It has become a strong competitive player because of focus on technology and R&D. It has 571 patents, including those acquired from Fluid Energy, UOP Inc, DuPont and Johnson Matthey. Onsite services include product applications, field trials, checks on chemical dosage rates and troubleshooting of environment, health and safety issues. The group has developed its unit at Taloja, Maharashtra, as an R&D hub for its product pipeline. Strong process chemistry skills and customised products and solutions will continue to benefit the group.

Moderated financial risk profile in fiscal 2025, expected to improve post IPO issuance in the near term: In fiscal 2025, net debt increased to Rs 2,995 crore (fiscal 2024: Rs 932 crore) largely on account of the debt-funded acquisition of Impact Fluid, reduced internal cash accrual on the back of promoter take-out in the form of dividend of around Rs 610 crore and related party transactions through loans and advances extended to other promoter group entities (Rs 440 crore at end of fiscal 2025 as against Rs 290 crore at end of fiscal 2024). The gearing for fiscal 2025 was higher at 1.82 times (fiscal 2024: ~0.7 times) with net debt/ Ebitda at around 3 times (fiscal 2024: under 1 time). The company is in the process of getting listed in the near term, wherein SEBI has approved the DRHP in June 2025. A portion of the listing proceeds to the tune of Rs 1,500 crore would be used to retire outstanding debt as well as for general corporate purposes. While the leverage metrics have moderated in fiscal 2025, overall financial risk profile is expected to significantly improve in fiscal 2026 post the IPO issuance. Any significant delay in the same, resulting in leverage metrics continuing to be elevated, will remain a key rating sensitivity factor.

Weaknesses:

Susceptibility to volatility in raw material prices: Profitability has been volatile in the past owing to fluctuations in raw material prices and high salaries and incentives. Crude oil derivatives comprise a significant portion of the raw materials. Hence, profitability is vulnerable to volatility in crude oil prices. While the group has the ability to pass on price increases, contractual businesses are for longer tenure (over one year), rendering the operating margin susceptible to any steep variation in input cost.

Large working capital requirement: Gross current assets are estimated at a sizeable 210-220 days as on March 31, 2025, driven by inventory of 103 days at overseas stocking points to ensure timely supply to customers and an extended receivables cycle of 82 days.. Nevertheless, driven by expected steady revenue growth over the medium term, working capital requirement will remain large and its prudent management will be critical.

Liquidity: Strong

Cash accrual is estimated to have been low at around Rs 60 crore in fiscal 2025. Crisil Ratings expects the cash accruals of the company to improve to over Rs 800 crore in fiscal 2026 and average Rs 1000-1200 crore from fiscal 2027 which will sufficiently cover annual debt obligation of Rs 300-450 crore and annual maintenance capital expenditure of Rs 150-200 crore. Utilization of fund-based limit was 48% on average over the six months through March 2025. Liquidity is further supported by cash and equivalent of over Rs 599 crore as on March 31, 2025.

Outlook: Stable

The Dorf Ketal group will continue to benefit from steady demand, healthy market position, diversified product segments, established clientele and strong R&D and operating capabilities. The financial risk profile will remain supported by healthy annual cash accrual and absence of large, debt-funded capex or acquisition.

Rating sensitivity factors

Upward factors

- Sustained revenue growth of 15-20% annually and stable profitability.
- Sustenance of healthy financial risk profile and comfortable debt protection metrics.
- Build-up and sustenance of surplus liquidity.

Downward factors

- Sluggish revenue growth and moderation in operating profitability margin to under 14%, affecting cash generation.
- Sizeable, debt-funded capex or acquisition or significant stretch in the working capital cycle weakening the debt protection metrics with net debt to Ebitda ratio above 2.5 times on a sustained basis.
- Larger-than-expected cash outflow or reduction in liquid surplus by way of remuneration, capital reduction or high dividend payout or further support to group companies.

About the Group

Dorf-Ketal, incorporated in 1992, manufactures process chemicals, specialty catalysts and additives in the niche product segment of hydrocarbons used in refineries and petrochemical plants. It has 16 manufacturing facilities across the globe with domestic units in Mundra and Dahej, Gujarat; and Dadra and Lote, Maharashtra. The group also has facilities at Nova Santa Rita City in Brazil and at Louisiana, USA. Mr Subodh Menon and Mr Sudhir Menon are the promoters.

Dorf Ketal Chemicals LLC (USA), Dorf Ketal Chemicals (Brazil) and Dorf Ketal BV (the Netherlands) market and supply process chemicals and provide technical support to clients in their regions. Dorf Ketal Chemicals LLC exclusively markets specialty catalysts to the customers other than in India.

Key Financial Indicators

Particulars	Unit	2025 (Provisional)	2024
Revenue from operations	Rs crore	6,131	5,490
Adjusted PAT	Rs crore	355	568
Adjusted PAT margin	%	5.8	10.4
Adjusted debt / adjusted networkth	Times	1.82	0.67
Interest coverage	Times	4.33	8.35

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 Outstanding with Outlook
NA	Non-Fund Based Limit	NA	NA	NA	50.00	NA	Crisil A1+
NA	Working Capital Loan*	NA	NA	NA	1385.00	NA	Crisil AA/Stable
NA	External Commercial Borrowings	NA	NA	30-Apr-28	164.06	NA	Crisil AA/Stable
NA	Long Term Loan	NA	NA	28-Feb-26	5.39	NA	Crisil AA/Stable
NA	Long Term Loan	NA	NA	31-Jan-27	12.15	NA	Crisil AA/Stable
NA	Long Term Loan	NA	NA	31-Jul-29	125.00	NA	Crisil AA/Stable

* - Interchangeable between fund-based and non-fund-based limits

Annexure – List of entities consolidated

Name of the subsidiary, location	Extent of consolidation	Reason for consolidation
Dorf Ketal Chemicals LLC, USA	Full	100% subsidiary; business linkages
Dorf Ketal Brasil Ltda, Brazil	Full	95% subsidiary; business linkages
Dorf Ketal BV, Netherlands	Full	100% subsidiary; business linkages
Dorf Ketal Chemicals FZE, UAE	Full	100% subsidiary; business linkages
Dorf Ketal Chemicals Pte Ltd, Singapore	Full	100% subsidiary; business linkages
Dorf Ketal Chemicals SDN BHD, Malaysia	Full	100% subsidiary; business linkages
Dorf Ketal Chemicals Shanghai Ltd, China	Full	100% subsidiary; business linkages
Flowchem Technologies LLC, USA	Full	100% subsidiary; business linkages
Khyati Chemicals Pvt Ltd	Full	100% subsidiary; business linkages
Impact Fluid Solutions LP	Full	100% subsidiary; business linkages

Annexure - Rating History for last 3 Years

Instrument	Current			2025 (History)		2024		2023		2022		Start of 2022
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	1691.6	Crisil AA/Stable		--	10-05-24	Crisil AA/Stable	08-03-23	Crisil AA/Stable	28-06-22	Crisil AA-/Positive	Crisil AA-/Stable
			--		--		--	17-01-23	Crisil AA/Stable	02-05-22	Crisil AA-/Positive	--
			--		--		--		--	28-02-22	Crisil AA-/Stable	--
Non-Fund Based Facilities	ST	50.0	Crisil A1+		--	10-05-24	Crisil A1+	08-03-23	Crisil A1+	28-06-22	Crisil A1+	Crisil A1+
			--		--		--	17-01-23	Crisil A1+	02-05-22	Crisil A1+	--
			--		--		--		--	28-02-22	Crisil A1+	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
External Commercial Borrowings	164.06	The Hongkong and Shanghai Banking Corporation Limited	Crisil AA/Stable
Long Term Loan	125	Citibank N. A.	Crisil AA/Stable
Long Term Loan	5.39	The Hongkong and Shanghai Banking Corporation Limited	Crisil AA/Stable
Long Term Loan	12.15	HDFC Bank Limited	Crisil AA/Stable
Non-Fund Based Limit	50	Kotak Mahindra Bank Limited	Crisil A1+
Working Capital Loan^{&}	73.94	Kotak Mahindra Bank Limited	Crisil AA/Stable
Working Capital Loan^{&}	150	Sumitomo Mitsui Banking Corporation	Crisil AA/Stable
Working Capital Loan^{&}	126.06	Kotak Mahindra Bank Limited	Crisil AA/Stable
Working Capital Loan^{&}	120	Citibank N. A.	Crisil AA/Stable
Working Capital Loan^{&}	200	DBS Bank Limited	Crisil AA/Stable
Working Capital Loan^{&}	200	ICICI Bank Limited	Crisil AA/Stable
Working Capital Loan^{&}	210	JP Morgan Chase Bank N.A. India	Crisil AA/Stable
Working Capital Loan^{&}	235	The Hongkong and Shanghai Banking Corporation Limited	Crisil AA/Stable
Working Capital Loan^{&}	70	HDFC Bank Limited	Crisil AA/Stable

& - Interchangeable between fund-based and non-fund-based limits

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for consolidation
Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)

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