

CCAL

CHEMFAB ALKALIS LIMITED

REF: CHEMFAB/SEC/2025-2026

14th March 2026

BSE Limited

Corporate Relationship Department
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai- 400 001.

BSE – Scrip Code: 541269

National Stock Exchange of India Limited

The Manager, Listing Department
“Exchange Plaza”
Bandra - Kurla Complex, Bandra (E)
Mumbai - 400 051

NSE Symbol: CHEMFAB

Sub: Intimation of Credit Rating under Regulation 30 of the SEBI (Listing Regulations and Disclosure Requirements) Regulations, 2015.

Pursuant to Regulation 30 of the SEBI (Listing Regulations and Disclosure Requirements) Regulations, 2015, we wish to inform you that India Ratings and Research (Ind-Ra) has assigned the following ratings in respect of the Company’s banking facilities.

Instrument Description	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating Assigned along with Outlook/Watch	Rating Action
Bank loan facilities	-	-	-	INR27	IND BBB+/Negative/IND A2	Assigned
Bank loan facilities	-	-	-	INR1,673	IND BBB+/Negative/IND A2	Downgraded

We are also enclosing the credit rating letter issued by India Ratings and Research (Ind-Ra).

Request you to kindly take the above information on record.

Thanking You,
Yours Faithfully,

For CHEMFAB ALKALIS LIMITED

Bharatraj Panchal
Company Secretary
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India Ratings Downgrades Chemfab Alkalies' Bank Loan facilities to 'IND BBB+' / Negative; Rates Additional Limits

Mar 13, 2026 | CHEMFAB ALKALIS LIMITED | Commodity Chemicals

India Ratings and Research (Ind-Ra) has downgraded Chemfab Alkalies Limited's (CAL) bank loan facilities' long-term rating to 'IND BBB+' from 'IND A-', with a Negative Outlook, and short-term rating to 'IND A2' from 'IND A2+', as follows:

Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (million)	Rating assigned along with Outlook/Watch	Rating Action
Bank loan facilities	-	-	-	INR27	IND BBB+/Negative/IND A2	Assigned
Bank loan facilities	-	-	-	INR1,673	IND BBB+/Negative/IND A2	Downgraded

Analytical Approach

Ind-Ra has taken a fully consolidated view of CAL and its two wholly owned subsidiaries, Chemfab Karaiikal Limited (CKL), and Chemfab Hiitech Piping Limited (CHPL), to arrive at the ratings in view of the strong operational and strategic linkages between them. CHPL was incorporated in October 2025 and is yet to commence operations.

Detailed Rationale of the Rating Action

The downgrade reflects a deterioration in CAL's consolidated operating performance in 9MFY26, leading to a weakening of credit metrics and a stretch in its liquidity position. While the company has incurred sizeable capex over FY24-FY26 to increase the capacity of the pipe business, sales were hit over this period because of the underperformance of the government's Jal Jeevan mission (JJM), which is a key revenue driver of CAL's pipe business. In the chlor-alkali segment, profit was hit by a fall in caustic soda prices as well as operational issues because of an old electrolyser, which has been replaced now. With a likely sharp fall in EBITDA, CAL's net leverage is likely to witness a significant deterioration in FY26 (end-December 2026: 3.6x, FY25: 1.4x). Furthermore, CAL's liquidity buffer has reduced with a fall in cash balances as well as unused working capital lines.

The Negative Outlook reflects Ind-Ra's expectation that, notwithstanding some recovery, the consolidated credit profile and liquidity will remain under pressure over the near term since price recovery in caustic soda may be more gradual in nature as global oversupply corrects and the JJM pipe offtake remains subdued. While the company is in the process of diversifying its order book by increasing the share of non-JJM projects, a sustained improvement in operational performance, the ramp-up of its recently commissioned oriented poly vinyl chloride (OPVC) capacities, and timely completion of planned asset monetisation remain key monitorables. Ind-Ra will closely monitor the recovery in EBITDA from 4QFY26 and the availability of liquidity buffers; a weaker-than-expected performance on either of the parameters could be negative for the ratings.

The ratings, however, continue to consider CAL's diversified product mix, with the presence of caustic soda and allied products, and OPVC pipes in its portfolio. The diversification provides some protection from the inherent volatility and cyclicity in the individual segments. OPVC pipes is a high-margin business, and its contribution to the overall revenue is likely to increase in the near-to-medium term. Furthermore, the capex incurred towards the replacement of the electrolyser in FY26 is likely to reduce power consumption, leading to costs savings. The company is also in the processing of

commissioning a hybrid power plant, which will increase the share of green power in its mix, reducing its overall power cost and supporting EBITDA recovery. The company's electrochemical unit (ECU) realisations in the chlor-alkali segment have been higher than the industry average, given the lower negative contribution of chlorine owing to the locational advantage and the 10 kilo tonne per annum (KTPA) aluminium chloride plant, which can consume 8KT of chlorine at full capacity.

List of Key Rating Drivers

Strengths

- Diversified product mix; share of pipes business to increase over FY27-FY28
- Cost reduction measures to support EBITDA in FY27
- Large OPVC pipe capacity built up in high-margin OPVC Business; pace of ramp-up monitorable

Weaknesses

- EBITDA to decline in FY26 with weak performance across segments
- Credit metrics to weaken over FY26
- Profitability exposed to inherent volatility in commodity prices; operating losses continue within subsidiary

Detailed Description of Key Rating Drivers

Diversified Product Mix; Share of Pipes Business to Increase over FY27-FY28: CAL has a diversified product portfolio, comprising caustic soda and allied chemical products and OPVC pipes. Demand in the OPVC pipe segment is driven by the water and sanitation projects, mainly under JJM, while demand for caustic soda is driven by segments such as textiles, alumina, and surfactants. The chemicals business had accounted for an average of 83% of the revenue over FY19-FY23, but its share declined to around 61% over FY24-FY25, owing to the pick-up in the OPVC pipe business after successful registration for government projects. In 9MFY26, CAL recorded a revenue of INR2,362 million (FY25: INR3,344 million; FY24: INR3,273 million). The chemical segment (chlor alkali and aluminium chloride) contributed around INR1,571 million to the total revenue (FY25: INR2,024 million, FY24: INR2,015 million), and the OPVC segment accounted for the balance. With a continued expansion in the pipes business, Ind-Ra expects the contribution from the chemical segment to reduce to 50% over the near-to-medium term.

Cost Reduction Measures to Support EBITDA in FY27: CAL replaced one of its two electrolyzers (a 30-year-old electrolyser) in December 2025. Electrolysers are essential in caustic soda production, serving as the core unit wherein electricity drives the decomposition of purified brine (NaCl) into sodium hydroxide, chlorine, and hydrogen. The fall in CAL's caustic soda capacity utilisations since FY24 (9MFY26: around 73%; FY25: 72%; FY24: 82%) has largely been caused by multiple breakdowns of the 30-year-old electrolyser. The induction of the new electrolyser is likely to reduce breakdowns, enhance operating efficiencies, and support higher production volumes and resultant capacity utilisations over FY27. In addition, CAL intends to commission a hybrid power plant under a special purpose vehicle structure over 4QFY26, and expects the same to deliver significant cost savings of around INR150 million per annum.

Large OPVC Pipe Capacity Built Up in High-Margin OPVC Business; Pace of Ramp-Up Monitorable: The weak fundamentals in the chlor-alkali segment and an anticipated increase in order execution under the JJM has prompted CAL to increase its OPVC pipe capacity further over FY26-1HFY27. The OPVC pipe business has a higher through-the-cycle EBITDA margin profile compared to the chlor-alkali business, and once the incremental capacities are ramped up, the OPVC pipe business would have the potential to generate strong operational cash flows for CAL. The company expects to increase the OPVC pipe capacity to 23KTPA by end-1HFY27, 3.8x times higher than its capacity at end-FY24 (FY25: 10KTPA; FY24: 6KTPA).

However, weak offtake under the JJM during FY25-FY26 stemming from state-level implementation delays, procedural irregularities, and consequently lower-than-budgeted fund flows from the GoI, has deferred the ramp-up across the

commissioned capacities. As a result, effective capacity utilisation stood at 43% in 9MFY26 (FY25: 60%; FY24: 83%) with sales volumes of around 4.2kt (6kt,5.2kt). The management expects JJM offtake to pick up from 2QFY27. With a view to mitigate the impact of slower-than-expected JJM offtake, the company has intensified its efforts to grow its non-JJM order book, though its share remains minimal as of now. The pickup in JJM offtake and an increase in non-JJM orders remain critical to the ramp-up of the commissioned OPVC capacities and the recovery in profitability of CAL in FY27.

EBITDA to Decline in FY26 with Weak Performance Across Segments: The diversification across two business segments usually provides some protection to CAL from the inherent volatility and cyclicity of the individual segments, given the different dynamics of the two segments. However, given the weak dynamics in both segments, Ind-Ra expects CAL to record a sharp decline in EBITDA in FY26. In 9MFY26, CAL's EBITDA fell 38% yoy to INR187 million (FY25: INR437 million; FY24: INR539 million). CAL's caustic soda manufacturing plant is located in southern India, where chlorine availability is lower than that in western India, where most of India's caustic soda is produced, and furthermore, it has a downstream aluminium chloride unit. Therefore, its ECU realisations are comparatively better than most industry peers. However, despite this, the chemical segment (including chlor alkali and aluminium chloride) continues to record EBIT losses (9MFY26: loss of INR185 million; FY25: loss of INR231 million, FY24: INR9 million) and its EBITDA is likely to be considerably lower on a yoy basis in FY26. The weak performance within the segment can be attributed to subdued caustic soda prices due to global oversupply amid weak downstream demand, and the lower capacity utilisation levels. The caustic soda EBITDA/kg in 9MFY26 was significantly low compared with over-the-cycle performance. Recovery in caustic soda prices might be more gradual until there is some balance in the demand-supply dynamics, thereby limiting the recovery in the segment's EBITDA; however, the induction of the new electrolyser could lend some support to the segment in FY27.

Furthermore, the weak offtake from JJM kept prices under pressure over 9MFY26 and has resulted in low capacity utilisations within the OPVC segment, resulting in low absorption of fixed overheads. Consequently, the OPVC segment recorded EBIT of INR168 million in 9MFY26 (FY25:INR305 million, FY24: INR307 million).

Credit Metrics to Weaken over FY26: CAL's increased capex intensity over FY23-FY26 without a commensurate improvement in revenue and profitability has resulted in a significant weakening in the credit metrics. CAL's net leverage (net debt/EBITDA) rose sharply to 3.6x at end-9MFY26 (based on TTM EBITDA; FY25: 1.4x; FY24: 0.2x), against its net cash position at end-FY23. CAL incurred capex of around INR3,400 million over FY23-1HFY26 to increase its caustic soda capacity to 66KTPA in FY24 (earlier: 45.6KTPA) and its OPV capacity to 20KTPA by end-FY26 (end-FY24: 6KTPA), with capex intensity increasing each year over FY23-FY26. With a spend of around INR765 million, CAL's capex intensity stood at around 46% in 1HFY26 (FY25: 24%; FY24:28%; FY23: 17%; FY22: 7%). Furthermore, the gross interest cover deteriorated to 3.4x in 9MFY26 (FY25: 8.9x; FY24: 57x; FY23: 460x) because of the decline in EBITDA and an increase in interest expenses, resulting from the partially debt-funded capex and increased usage of the working capital limits. CAL's gross interest expense stood at INR55 million in 9MFY26 (FY25: INR49 million; FY24: INR9 million) and is likely to rise with the addition of debt. A recovery in CAL's profitability remains key to an improvement in its credit metrics and remains a key rating monitorable.

Profitability Exposed to Inherent Volatility in Commodity Prices; Operating Losses Continue within Subsidiary: The profitability of the caustic segment remains susceptible to the inherent volatility and cyclicity in product prices, demand-supply balance and chlorine demand. The volatility in realisations resulted in significant fluctuations in the caustic soda segment's EBITDA over FY21-9MFY26. Furthermore, the profitability of the OPVC pipe division is linked to PVC resin prices, the prices of which can be significantly volatile as they are linked to the global and domestic demand-supply scenario as well as trade protection measures instituted by the government.

CAL has two wholly owned subsidiaries i.e. CHPL and CKL. CHPL was incorporated in October 2025 for manufacturing, trading, and import-export of high-quality OPVC pipes and related fittings for agricultural, engineering, electrical, mechanical, and allied industries, but the company has not commenced operations. CAL's other subsidiary, CKL, manufactures aluminium chloride (capacity: 10 KTPA). CKL commenced commercial operations in February 2024, with FY25 marking its first full year of operations. CKL is yet to turn EBITDA positive due to subdued realisations and spreads between aluminium chloride and its raw material. CKL's aluminium chloride plant is a forward integration to CAL's caustic soda business since it consumes 6%-9% chlorine (which is a by-product of caustic soda) captively. In 9MFY26, CKL recorded an EBITDA loss of INR77 million (FY25: EBITDA loss of INR102 million, FY24: EBITDA loss of INR42 million).

Liquidity

Stretched: CAL's cash and liquid investments fell sharply to INR0.3 million at end-9MFY26 (FY25: INR210 million, FY24: INR77 million), significantly lower than the FY23 levels of INR692 million. Additionally, CAL had modest undrawn fund-based lines of INR55 million as of December 2025. While the monthly average utilisation of its INR300 million fund-based working capital limits was about 44% in the 12 months ended December 2025, it was substantially higher at around 73% over 3QFY26, reflecting a reduction in liquidity buffer. To meet its cash flow requirements, CAL had sold non-core assets and received advance payment on the proposed sale of a non-core asset in 1HFY26 for around INR245 million and borrowed around INR110 million from Team Hiitech Eqpt Private Limited (THEPL), another promoter group entity which had liquid investments of about INR470 million as on 31 March 2025 and undrawn fund based working capital lines of around INR260 million at end-July 2025. The management has stated that the promoter remains committed to CAL, and that THEPL will continue to provide the necessary funding support to meet CAL's operational and debt-servicing requirements.

The board of directors of both THEPL and CAL have approved an unsecured credit line of INR200 million from THEPL to CAL, of which INR90 million remains available for utilisation, if required. Furthermore, CAL has repayment obligations of INR42 million in 4QFY26, INR189 million in FY27 and INR218 million in FY28, and internal accruals should be sufficient to fund the same, provided the EBITDA picks up in line with expectations. Ind-Ra will monitor the liquidity position, and a continued deterioration in the same could be negative for the ratings. To shore up its on-balance sheet liquidity, the management intends to sell an electrolyser and non-core asset (land) over FY27, which could aid liquidity.

While CAL's cash flow from operations remained positive over FY24-1HFY26 (1HFY26: INR79 million; FY25: INR368 million, FY24: INR339 million), it has not increased despite the large capex spends. Consequently, the free cash flows remained negative over FY24-1HFY26 (1HFY26: negative INR698 million, FY25: INR772 million, FY24: INR592 million). A sustained improvement in operational performance, ramp-up of the recently commissioned OPVC capacities, and timely completion of planned asset monetisation remain key monitorables and are critical to ensure a sustained improvement in CAL's liquidity.

Rating Sensitivities

Positive: Timely ramp-up of added capacities, and a recovery in operating profits, leading to an improvement in the liquidity position and credit metrics, with the net leverage reducing to below 3x, all on a sustained basis, could lead to the Outlook being revised back to Stable.

Negative: A delay in ramp-up of commissioned capacities and / or lower-than-expected recovery in operating profitability and/ or continued stretched liquidity position and/or the net leverage sustaining above 3x, all on a sustained basis, can lead to a negative rating action.

Any Other Information

Standalone Profile: During 9MFY26, the company posted revenue of INR2,198 million (9MFY25: INR2,342 million, FY25: INR3,221 million, FY24: INR3,273 million), EBITDA of INR270 million (9MFY25: INR376 million, FY25: INR533 million, FY24: INR576 million) and gross interest coverage of 5x (9MFY25: 11.2x, FY25: 10.8x, FY24: 62x).

About the Company

Incorporated in 1983 and amalgamated vide NCLT order in 2017, CAL manufactures caustic soda and allied products (chlorine, hydrogen, sodium hypo chlorite, and hydrochloric acid), and OPVC pipes. At end-9MFY26, the company had an installed capacity of 65.7KTPA of caustic soda in Puducherry and a 20-KTPA OPVC pipes plant in Sricity (Andhra Pradesh).

Incorporated in December 2019, CKL is a wholly owned subsidiary of CAL and is engaged in the manufacturing of chemicals. Its aluminium chloride plant with an installed capacity of 10KTPA was set up and commissioned in February 2024. Furthermore, CAL incorporated a wholly owned subsidiary, CHPL, in October 2025. CHPL is yet to

commence business and will operate in the manufacturing, trading, import, and export of high-quality OPVC pipes and related fittings for agricultural, engineering, electrical, mechanical, and allied industries. The management does not envisage any operations in this entity in the near term.

Key Financial Indicators

Particulars (INR million; Consolidated)	9MFY26	FY25	FY24
Revenue	2,362	3,344	3,273
EBITDA	187	437	539
EBITDA %	8	13	16
Interest Coverage (x)	3.4	8.9	57.2
Net Leverage (x, TTM)	3.6	1.4	0.2
<i>Source: CAL, Ind-Ra</i>			

Status of Non-Cooperation with previous rating agency

Not Applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook
	Rating Type	Rated Limits (million)	Current Rating	30 January 2025
Bank loan facilities	Long-term/Short-term	INR1,700.00	IND BBB+/Negative/IND A2	IND A-/Stable/ IND A2+

Bank wise Facilities Details

The details are as reported by the issuer as on (13 Mar 2026)

#	Bank Name	Instrument Description	Rated Amount (INR million)	Rating
1	HDFC Bank Limited	Fund Based Working Capital Limit	100	IND BBB+/Negative / IND A2
2	Axis Bank Limited	Fund Based Working Capital Limit	100	IND BBB+/Negative / IND A2
3	Shinhan Bank	Fund Based Working Capital Limit	100	IND BBB+/Negative / IND A2
4	Axis Bank Limited	Non-Fund Based Working Capital Limit	350	IND A2
5	HDFC Bank Limited	Non-Fund Based Working Capital Limit	150	IND A2
6	HDFC Bank Limited	Term loan	308.7	IND BBB+/Negative
7	HDFC Bank Limited	Term loan	133.2	IND BBB+/Negative

8	HDFC Bank Limited	Term loan	204.8	IND BBB+/Negative
9	Axis Bank Limited	Term loan	253.3	IND BBB+/Negative

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

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About India Ratings

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Evaluating Corporate Governance

Corporate Rating Methodology

Parent and Subsidiary Rating Linkage

Short-Term Ratings Criteria for Non-Financial Corporates

The Rating Process

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