# GHCL Limited

August 07, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating[1] | Rating Action |
|---|---|---|---|
| Long-term bank facilities | 85.65<br>(Reduced from 154.04) | CARE AA-; Stable | Reaffirmed |
| Long-term/Short-term bank facilities | 825.00 | CARE AA-; Stable / CARE A1+ | Reaffirmed |
| Long-term bank facilities | - | - | Withdrawn^ |

Details of instruments/facilities in Annexure-1.

^ CARE Ratings Limited (CareEdge Ratings) has withdrawn the rating assigned to long-term bank facilities as the term loans were fully repaid there is no outstanding at on date.

## Rationale and key rating drivers

Ratings assigned to bank facilities of GHCL Limited (GHCL) continue to reflect its strong position in the domestic soda ash industry, supported by cost advantages arising from captive lignite and limestone mines and easy access to salt. Ratings also factor in its established customer base and favourable medium-term demand-supply outlook for the soda ash sector. GHCL benefits from a large scale of operations, healthy operating profitability driven by high operational efficiencies, cost-saving initiatives undertaken by the management, strong liquidity, and comfortable leverage and debt coverage indicators.

However, the long-term rating continues to be constrained due to profitability susceptible to key inputs prices, foreign exchange rate fluctuations and risks associated with its envisaged large-sized greenfield soda-ash project to be implemented in the medium term. The company's management has strongly articulated the project will be implemented in a phase-wise manner so that it does not significantly affect the leverage and debt coverage indicators.

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

**Positive factors**

- Timely completion and stabilisation of its planned greenfield project and realisation of its envisaged returns therefrom.
- Growth in its scale of operations with total operating income (TOI) of more than ₹5,000 crore along with a profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of 25% on a sustained basis while maintaining strong leverage and debt coverage indicators.

**Negative factors**

- The PBILDT per tonne falling below ₹7,000 on a sustained basis.
- Deterioration in the total debt (TD)/PBILDT beyond 2x on a sustained basis.
- Deterioration in the overall gearing beyond unity on a sustained basis.
- Any Significant direct or indirect financial support extended by GHCL to GHCL Textiles Limited (GTL; rated: CARE A-; Stable/ CARE A2+).
- Significant deviation in the size of its planned greenfield soda-ash project and departure from the stated staggered implementation timeline, which could have an adverse impact on its leverage and debt coverage indicators.

## Analytical approach: Consolidated

CareEdge Ratings adopted the 'Consolidated' analytical approach for GHCL's ratings, considering the business synergy and common management of GHCL with its only subsidiary "Dan River Properties LLC". Details of the same has been placed in Annexure-6.

## Outlook: Stable

CareEdge Ratings believes that GHCL will continue to maintain its strong position in domestic soda-ash industry and healthy profitability margins. GHCL's financial risk profile is likely to remain comfortable in the medium term supported by its steady cash flow and lower reliance on external debt.

## Detailed description of key rating drivers:

## Key strengths

**Established position in oligopolistic domestic soda-ash industry**

GHCL has an established position in domestic soda-ash industry, which is oligopolistic, with the top four players including GHCL controlling ~85% of the total domestic production capacity. GHCL is second largest manufacturer of soda ash in India with ~26% market share. GHCL also has partly captive source of raw materials for lignite, limestone and salt, leading to cost competencies.

[1]Complete definition of ratings assigned are available at www.careratings.com and other CARE Ratings Limited's publications.

It also meets the majority power requirements through captive sources. GHCL supplies soda-ash to leading detergent and glass manufacturers in domestic market, who have been its clients since long.

**Large scale of operations with healthy profitability**

In FY25 (FY refers to period April 01 to March 31), GHCL's soda ash plant operated at a high capacity utilisation level of ~95% (FY24: ~91%). However, weak global demand and rising imports of soda ash have put pressure on average sales realisation which declined by 13% year-over-year (y-o-y) to ₹25,563/metric tonne (MT) in FY25. PBILDT margin although improved by 305 bps to 27.56% in FY25 on a y-o-y basis backed by notable decline in key raw material prices, volume growth and better cost efficiencies. As informed by the management, soda-ash prices have bottomed out and no major correction is expected.

As GHCL is near full capacity utilisation, it has little headroom to grow sales volume. However, GHCL is expected to commission its bromine and vacuum salt plants in H2FY26 which has aggregate revenue potential of ~₹200 crore per annum. CareEdge Ratings expects GHCL to report a revenue growth of 4-6% in FY26 and FY27 and earn PBILDT of ~₹800-900 crore per annum.

**Comfortable leverage and debt coverage indicators**

GHCL's capital structure marked by overall gearing and total outside liability to total net worth (TOL/TNW) ratio continued to remain comfortable at 0.03x and 0.13x, respectively, as on March 31, 2025 (FY24: 0.07x and 0.19x), supported by low debt level and healthy net worth base. Debt coverage indicators marked by TD/PBILDT continued to remain comfortable at 0.13x (PY: 0.25x). Despite expected addition of debt for the greenfield project, GHCL's capital structure is expected to remain comfortable with an overall gearing ratio below 0.5x in the near-to-medium term.

**Efficient working capital management leading to strong operating cash flow**

GHCL has an efficient working capital management, considering its consistent track record of healthy operating cash flow generation. GHCL's operating cash flow continued to remain healthy at ₹604 crore in FY25 (PY: ₹875 crore) backed by healthy profitability and largely stable operating cycle. This resulted in a build-up of liquidity, marked by cash and liquid investments of ~₹1,073 crore as on March 31, 2025 (PY: ₹892 crore).

**Stable demand-supply dynamics of soda ash industry**

India is expected to be the world's third-largest consumer of soda ash. Demand for soda ash is expected to grow at ~5-6%, driven by rising demand from the end-user segment such as glass, soaps and detergents, and other chemical products due to rising population, urbanisation, and higher disposable incomes. In India, soda ash's total installed capacity is 4.50 million MT, with an estimated production of 3.90 million MT in FY25. Indian soda ash market's total size is ~4.40 million MT and currently ~22% (FY24: 15%) of the Indian demand is being met by imports. With many new announcements of capacity addition in solar glass, government production-linked incentive (PLI) schemes and the expected anti-dumping duty on import of float glass is expected to boost the demand from glass sector. There is rising demand from downstream segments and emerging green usages such as solar glass and flue gas treatment.

## **Liquidity**: Strong

GHCL's liquidity is strong marked by healthy cash and liquid investments of ~₹1,073 crore as on March 31, 2025. GHCL expects to generate annual gross cash accrual (GCA) of ~₹650-₹750 crore in the medium term against its repayment obligations of term debt of ₹25-₹40 crore. With an overall gearing of 0.03x as on March 31, 2025, GHCL has sufficient gearing headroom to raise additional debt for its capex. Average utilisation of fund-based limits stood negligible in the last 12 months ending June 2025. Unutilised bank lines of over ₹450 crore (available drawing power of over ₹550 crore) ended June 30, 2025, are expected to be over adequate to meet its incremental working capital requirement.

## Key weaknesses

**Risks associated with implementation of a large-sized greenfield soda ash project in the medium term**

Looking at the healthy capacity utilisation of its soda ash plant at its existing location, where major capacity expansion is a constraint and the expected good growth prospects for domestic soda ash, GHCL is planning to implement a large greenfield soda ash plant of 5.50 lakh MT per annum (~45% of its current capacity) at a new location at an estimated project cost of ~₹4,000 to ₹4,500 crore. This capex is expected to be implemented in a phase-wise manner over the medium term. In the intervening period, GHCL is expected to conserve its cash and liquidity to fund the promoter contribution of capex. GHCL has acquired the land and has received environmental and regulatory clearances in FY25. The company has envisaged funding for this project with a term debt of ~₹2,200-2,500 crore, although, financial closure is awaited. Initially, the capital expenditure will be met through available liquidity and internal accruals, with the term debt expected to be drawn towards the later stages of the project.

The company's management strongly articulated that the project will be implemented in a phase-wise manner with a moderate project debt/equity, so that it does not significantly affect the company's overall leverage and debt coverage indicators.

Consequently, significant deviation in the size of its planned greenfield soda ash project and departure from the stated staggered implementation timeline, which can have an adverse impact on its leverage and debt coverage indicators, will be a key rating sensitivity. In FY26, GHCL is expected to incur capex of ~₹300 crore for efficiency improvement and value-added products and ~₹350 crore for green field project to be funded from its internal accruals and available liquidity.

**Susceptibility of profitability to volatile raw material prices, freight rates, and foreign exchange rate fluctuations**
GHCL's key raw materials and input costs comprise salt, limestone, coal, lignite, freight, and power. Prices of these commodities saw a moderation in FY24 and FY25 supporting profitability amid a significant decline in average sales realisations. GHCL also remains exposed to inherent foreign exchange fluctuation risks due to its net import position; however, the company mitigates this risk through a prudent hedging strategy by covering import payments for the next three months through forward contracts.

## Environment, social, and governance (ESG) risks

| Parameter | Compliance and action by the company |
|---|---|
| Environmental | • Chemical manufacturing can have a significant impact on the environment owing to high water consumption, waste generation, and greenhouse gas (GHG) emissions.<br>• GHCL implemented advanced technologies and processes to minimise the carbon footprint. The company is increasing its reliance on solar and wind power, demonstrating its commitment to clean energy.<br>• GHCL implemented waste management practices to collect and safely dispose off its plastic waste.<br>• All suppliers and vendors who work with GHCL are required to sign the Supplier Code of Conduct. GHCL has implemented a supply chain risk reduction programme to reduce risk in supply chain. As a part of the programme, GHCL assess suppliers based on ESG standards and then work with them to bring them up to the expectations of GHCL's requirements. |
| Social | • The sector's social impact is characterised by health hazards, leading to higher focus on employee safety and well-being; and the impact on local community considering its operations.<br>• GHCL actively encourages and supports the unionisation of employees as a means of safeguarding their labour rights. By providing a platform for free expression and supporting collective bargaining, GHCL demonstrates its commitment to fostering a fair and inclusive workplace that respects and protects the rights of its workforce. |
| Governance | • Governance structure is characterised by 50% board comprising independent directors, a dedicated investor grievance redressal system and extensive disclosures. |

## Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Withdrawal Policy
Short Term Instruments

## About the company and industry

## Industry classification

| Macroeconomic indicator | Sector | Industry | Basic industry |
|---|---|---|---|
| Commodities | Chemicals | Chemicals and petrochemicals | Commodity chemicals |

Incorporated in 1983, GHCL is one of the leading players in domestic soda ash industry. GHCL's soda ash manufacturing plant at Sutrapada in Gujarat has an installed capacity of 12 lakh MTPA as on March 31, 2025. The company also manufactures refined sodium bicarbonate (RBC) with a production capacity of 1.2 lakh MTPA. In addition, the company is also in production of edible salt. Promoters held 19.04% stake in the company as on March 31, 2025.

| Brief Financials (₹ crore) | FY24 (A) | FY25 (A) |
|---|---|---|
| Total operating income | 3,447 | 3,183 |
| PBILDT | 845 | 877 |
| PAT | 794 | 624 |
| Overall gearing (times) | 0.07 | 0.03 |

| | | |
|---|---|---|
| Interest coverage (times) | 31.75 | 54.87 |

A: Audited; 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/ST | - | - | - | - | 450.00 | CARE AA-; Stable/ CARE A1+ |
| Fund-based/Non-fund-based-LT/ST | - | - | - | - | 75.00 | CARE AA-; Stable/ CARE A1+ |
| Non-fund-based-LT/ST | - | - | - | - | 300.00 | CARE AA-; Stable/ CARE A1+ |
| Term Loan-Long Term | - | - | - | September 2026 | 0.00 | Withdrawn |
| Term Loan-Long Term | | - | - | 30-06-2028 | 85.65 | CARE AA-; 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 | Term Loan-Long Term | LT | 85.65 | CARE AA-; Stable | - | 1)CARE AA-; Stable (06-Aug-24) | 1)CARE AA-; Stable (24-Jul-23) | 1)CARE AA-; Stable (06-Jul-22) |
| 2 | Fund-based-LT/ST | LT/ ST | 450.00 | CARE AA-; Stable / CARE A1+ | - | 1)CARE AA-; Stable / CARE A1+ (06-Aug-24) | 1)CARE AA-; Stable / CARE A1+ (24-Jul-23) | 1)CARE AA-; Stable / CARE A1+ (06-Jul-22) |
| 3 | Non-fund-based-LT/ST | LT/ ST | 300.00 | CARE AA-; Stable / CARE A1+ | - | 1)CARE AA-; Stable / CARE A1+ (06-Aug-24) | 1)CARE AA-; Stable / CARE A1+ (24-Jul-23) | 1)CARE AA-; Stable / CARE A1+ (06-Jul-22) |
| 4 | Term Loan-Long Term | LT | - | - | - | - | - | 1)Withdrawn (06-Jul-22) |
| 5 | Term Loan-Long Term | LT | - | - | - | 1)CARE AA-; Stable (06-Aug-24) | 1)CARE AA-; Stable (24-Jul-23) | 1)CARE AA-; Stable (06-Jul-22) |
| 6 | Fund-based/Non-fund-based-LT/ST | LT/ ST | 75.00 | CARE AA-; Stable / CARE A1+ | - | 1)CARE AA-; Stable / CARE A1+ (06-Aug-24) | 1)CARE AA-; Stable / CARE A1+ (24-Jul-23) | 1)CARE AA-; Stable / CARE A1+ (06-Jul-22) |

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

## Annexure-4: Complexity level of instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---|---|---|
| 1 | Fund-based-LT/ST | Simple |
| 2 | Fund-based/Non-fund-based-LT/ST | Simple |
| 3 | Non-fund-based-LT/ST | Simple |
| 4 | Term Loan-Long Term | Simple |

## Annexure-5: Lender details

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|---|
| To view lender-wise details of bank facilities please click here |

## Annexure-6: List of entities consolidated

| Sr No | Name of the entity | Extent of consolidation | Rationale for consolidation |
|---|---|---|---|
| 1 | Dan River Properties LLC | Full | Subsidiary |

**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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**About us:**
Established in 1993, CareEdge Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CareEdge Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CareEdge Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CareEdge Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com



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