

Gujarat Alkalies and Chemicals Limited

August 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	482.34 (Reduced from 598.42)	CARE AA; Stable	Reaffirmed
Short-term bank facilities	339.50	CARE A1+	Reaffirmed
Commercial paper	100.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities and instrument of Gujarat Alkalies and Chemicals Limited (GACL) continue to derive strength from its strong position in the domestic chlor-alkali industry along with its integrated operations with captive power generation to meet part of its energy requirement and state-of-the-art technology. Ratings also derive strength from its wide product portfolio, which finds application across diversified end-use industries and its comfortable capital structure. CARE Ratings Limited (CareEdge Ratings) also considers the full consolidation of its joint venture (JV), GACL-NALCO Alkalies & Chemicals Private Limited (GNAL; rated 'CARE BBB+; Stable/ CARE A2' and 'CARE AA [CE]; Stable'), where GACL holds 60% equity stake and balance stake is held by National Aluminium Company Limited (NALCO).

However, long-term rating is constrained due to its presence in an inherently cyclical chlor-alkali industry with volatility in the electrochemical unit (ECU)², competition from imports, susceptibility of its profitability to adverse movement in the market prices of gas and power constituting a significant part of its cost structure, and the risk related to adverse movement in foreign exchange rates. Rating is also constrained due to GACL's propensity to support GNAL's operations.

CareEdge Ratings notes, while there is an improvement in consolidated scale of operations, operating profitability remained lower-than-envisaged in FY25 on the back of slower than anticipated improvement in ECU realisations. However, operating profitability is expected to gradually improve with expected improvement in the industry scenario and consequently improve its debt coverage indicators.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant volume-driven growth in its scale of operations along with diversification of its operations to other chemical and value-added products thereby insulating itself from the inherent cyclicity of chlor-alkali industry and thus earning healthy profit before interest, lease rentals, depreciation and taxation (PBILDT) margin on a sustained basis; along with improvement in total debt/ PBILDT below 1.50x on a sustained basis.
- Gaining significant market leadership position in the caustic soda industry while securing significant portion of its power requirement (its major cost component) through captive low-cost sources.
- Improvement in its return on capital employed (RoCE) to more than 25% on a sustained basis.

Negative factors

- Sustained pressure on its profitability marked by PBILDT margin remaining below 14% on a consolidated basis owing to continued lower ECU realisations on a sustained basis.
- Deterioration in consolidated total debt/PBILDT beyond 3x on a sustained basis.
- Heavy dumping of caustic soda products significantly impacting its ECU realisations.
- Any Tightening of prevailing pollution control/ environmental norms and/ or regulatory ban on production and sales of certain major products thereby significantly impacting its business and profitability.

Analytical approach: Consolidated.

CareEdge Ratings has considered 'Consolidated' analytical approach for GACL's ratings, as there are strong operational and financial linkages of GACL with its JV, GNAL, which has set up a caustic soda manufacturing facility at Dahej, wherein, GACL holds 60% equity stake as placed at Annexure-6.

GACL has applied equity method for the JV accounting for GNAL to arrive at consolidated financial results while CareEdge Ratings has applied full consolidation of GNAL's financials to arrive at GACL's consolidated financial results.

Outlook: Stable

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

²Caustic soda, chlorine, and hydrogen are co-products and hence ECU refers to weighted average realisations of the above co-products

Stable outlook reflects CareEdge Ratings' expectation that GACL shall continue to hold a dominant position in the domestic caustic soda industry with its integrated operations. CareEdge Ratings expects GACL to improve its financial risk profile with expected improvement in industry scenario in the near-to-medium term.

Detailed description of key rating drivers:

Key strengths

Dominant position in the domestic caustic soda industry which is likely to be maintained

GACL is the third-largest player of caustic soda in the country in terms of capacity, with an installed capacity (for caustic soda lye and caustic soda flakes combined) of ~3,000 metric tonne per day (MTPD) as on March 31, 2025, at its plants in Vadodara and Dahej, Gujarat, on a consolidated basis with GNAL. GACL has gradually built a strong position in the industry through the continuous expansion of production capacities to cater the growing demand for its products in the last four decades. Over the years, GACL has also introduced new chlorine derivatives (downstream products) for higher captive utilisation of chlorine, an essential by-product generated in manufacturing caustic soda. GACL has over 36 products in its basket, which has enabled it to leverage upon its large production capacity and protect its profitability from the effects of volatility in chlorine prices, to some extent.

Integrated operations and diversified customer base

GACL's operations are well-integrated, with the by-product of one process used as a raw material for another, thus enabling it to optimally utilise its large production capacity. It also protects GACL's profitability, to an extent, from the effects of the inherent cyclicity in the demand for its major products, as the adverse demand scenario for one set of products is countered by the favourable movement in other products. GACL's products find application in processes across a diverse range of industries, including textile, pulp and paper, alumina, soaps and detergents, rayon, fertilisers, petroleum, fertilisers, pharmaceuticals, agrochemicals, water treatment, ink, and paint among others. This allows GACL to cater a diversified customer base, thus helping it counter the slowdown in industry or a group of industries to certain extent.

Competitive cost structure owing to state-of-the-art technology and captive power generation to meet part of its energy requirements

GACL's cost structure has remained competitive because of its membrane cell technology used for the electrolysis of salt, which consumes one-third less power compared to the traditional mercury cell technology and is also less polluting. The captive power plant (CPP) for meeting part of its energy requirements and the investment in windmills and solar power plants to offset the higher cost of power purchased from the market aids its cost structure. Total installed capacity of the solar power plant stood at 36.62 MW. This is apart from wind power generation capacity of 171.45 MW and captive 90-MW gas-based power plant. The average cost of power consumed by GACL stood at ₹7.83 per unit in FY24 (FY23: ₹8.32 per unit). Furthermore, GACL avails excess power from GNAL's 130-MW coal-based CPP for its adjacent chloromethane plant.

Improvement in operating performance post moderation in FY24

GACL's consolidated total operating income (TOI) grew at a rate of ~11% in FY25 to ₹4,849 crore (FY24: ₹4,379 crore) largely on the back of improvement in caustic prices. Caustic prices improved by ~15% to US \$495/ MT in FY25 (FY24: US \$432/ MT). However, chlorine realisations continued to remain negative at ~₹5,000-6,000/ MT in FY25 due to oversupply and subdued demand from downstream industries. This led to lower ECU realisations and thereby limiting improvement in operating profitability. GACL's ECU realisations stood at ₹34,340/ MT in FY25 against ₹31,923/ MT in FY24 although remained lower than envisaged. GACL's standalone operating profitability improved to 8.45% in FY25 (FY24: 3.03%), while consolidated PBILDT margins stood at 9.31% in FY25 (FY24: 3.62%). Going forward, with expected growth in demand, improvement in ECU realisations with expected demand improvement from downstream industries and stabilisation of its chlorotoluene plant which shall increase captive chlorine consumption, CareEdge Ratings expects GACL to achieve PBILDT margins of ~13-15% on a standalone basis and ~14-16% on a consolidated basis in the medium term.

Comfortable capital structure despite full consolidation of JV, GNAL

GACL's capital structure remained comfortable, with consolidated overall gearing of 0.30x as on March 31, 2025 (0.38x as on March 31, 2024) and is expected to remain comfortable below 0.30x in the medium term. With improved profitability in FY25, consolidated PBILDT interest coverage stood at 2.32x against 0.86x in FY24. Going forward, with further expected improvement in the industry scenario and consequently operating profitability, consolidated PBILDT interest coverage is expected to gradually improve to above 4.40x and total debt/ PBILDT is expected to remain below 2.25x in the medium term.

Liquidity: Strong

GACL's liquidity is strong marked by presence of cash and cash equivalents of ₹138 crore as on March 31, 2025 (₹155 crore as on March 31, 2024). With consolidated overall gearing of 0.30x as on March 31, 2025, it has sufficient gearing headroom to avail

any additional debt, if required. Although in last few years, GACL has largely funded its capex through its healthy internal cash accruals. GACL has capex plans of ~₹650 crore for the next three years ended FY28 apart from routine capex of ₹125 crore per annum primarily towards expansion of its caustic soda flakes facility, chlorotoluene downstream, sodium chlorite and boiler capacity. Around 43% of this capex is expected to be funded through debt from Gujarat State Financials Services (GSFS), while balance is expected to be funded through internal accruals. GACL's consolidated overall gearing is expected to remain comfortable despite the envisaged capex. GACL's entirely unutilised fund-based limits are more than adequate to meet its working capital requirements. However, GACL primarily resorts to short-term loans from GSFS for meeting incremental working capital requirements. Furthermore, the operating cycle remained comfortable at ~22 days in FY25.

Key weaknesses

Continued weak operational and financial performance of GNAL, thereby increased propensity to support

GNAL commissioned its operations in March 2022, along with its one unit of coal-based captive power plant (CPP) of 65 MW and the second unit of CPP (65 MW) commissioned operations in April 2023. From the caustic soda produced from the plant, at least 450 MTPD has been agreed to be sold to NALCO Odisha plant at market rates and remaining in the open market, the marketing rights of which are vested with GACL. Balance quantities of products manufactured by the JV are sold by GACL as the sole commission selling agent of the JV. Thus, GACL is exposed to marketing risks and the chlorine disposal risk for GNAL.

Due to delay in ramp up of production amidst subdued caustic soda prices and negative chlorine realisations, GNAL reported losses leading to significant erosion of its net worth base. Accordingly, with a view to align its capital structure and fill liquidity gap, GNAL issued compulsorily convertible debentures (CCDs) of ₹500 crore in October 2024 largely for repayment/ prepayment of partial external commercial borrowing (ECB) of ₹390 crore and balance for working capital requirements. CCDs have a tenure of 60 months commencing from deemed date of allotment with mandatory buy out by promoters at the end of 59th month. GNAL reported TOI of ₹1,084 crore in FY25 (FY24: ₹776 crore) while its operating profitability improved to 10.00% in FY25 (FY24: 5.67%), although lower-than-envisaged on the back of negative chlorine realisations. However, operating profitability only improved from H2FY25 and hence is expected to improve going forward with growth in scale of operations and improvement in ECU realisations. GNAL availed a long-term loan of ₹355 crore from GSFS in June 2025 for full repayment of its ECB. GNAL has an option to resort to the GSFS for availing loan for debt servicing and working capital requirements. However, need-based support from promoters, GACL and NALCO, and timely arrangement of funds in absence of adequate cash accruals for debt servicing shall remain a key monitorable.

Susceptibility of its profitability to adverse movement in gas and power prices and threat of cheaper import

GACL's profitability is susceptible to adverse movements in the market prices of gas and power since electrolysis is an energy intensive process and power cost constitutes a significant part of its cost structure. Power cost constituted ~30-34% of GACL's TOI since the last two years (FY22: 29%). Besides, the Indian chlor-alkali industry faces competition from cheap imports from lower power-cost countries. Domestic manufacturers have sought a level-playing field from the government by way of an increase in customs duty on caustic soda imports, a GST structure for electricity taxes, and the imposition of export duty on salt, to effectively compete against imports. However, caustic soda imports notably improved in FY25 with year-over-year (y-o-y) reduction of ~25% against FY24 with additional capacities and rise in freight rates.

Risk of adverse movement in foreign exchange rates

GACL is exposed to the risk of adverse movement in foreign exchange rates because of its long-term borrowings denominated in US Dollar, raised for part-funding of its capex plans. As a matter of policy, GACL does not hedge its foreign currency exposure. In FY25, GACL imported raw materials of ~₹453 crore and had ECB repayments of ₹125 crore, against which it made exports of ~₹837 crore, thus providing a natural hedge to its foreign currency exposure to a large extent. Moreover, to mitigate its forex risk, GACL has opened an Exchange Earners' Foreign Currency Account (EEFC) US Dollar account, as per the Reserve Bank of India (RBI) guidelines, to deposit the export earnings and to utilise the same for making US Dollar repayments towards servicing its foreign currency debt and import pay-outs. This mitigates the exchange rate risk to a large extent.

Environment, social, and governance (ESG) risks

Risk factors	Compliance and action by the company
Environmental	<p>The treated wastewater after conforming to Gujarat Pollution Control Board (GPCB) norms is discharged to channel of Vadodara Enviro Channel Limited (VECL) which is finally discharged into bay of Khambhat. GACL's air emission is maintained within GPCB norms.</p> <p>The waste is disposed of at the Treatment, Storage and Disposal facility (TSDF) or Common Hazardous Waste Incineration Facility (CHWIF) depending on whether the same is hazardous or otherwise.</p> <p>GACL ensures energy audit at regular intervals and has installed capacities of 36.6-MW solar power plant and 171.45 MW of wind power plants.</p>

Risk factors	Compliance and action by the company
Social	GACL follows the required protocols for its employee safety and well-being. For instance: providing personal protective equipment and training to workers on the safety and health aspects of handling chemicals.
Governance	Over 50% GACL's board comprises independent directors. GACL has a dedicated investor grievance redressal mechanism with healthy disclosures. GACL assures separate meetings for independent and non-independent directors and regular internal risk management committees to address the risks and measures to mitigate them.

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](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

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

GACL was promoted in 1973 by the Government of Gujarat (GoG) through its industrial investment arm, Gujarat Industrial Investment Corporation Ltd. (GIIC). As on June 30, 2025, GoG as the promoter, through its undertakings, held 46.28% equity in the company, the largest being through Gujarat State Investments Ltd (GSIL) with 20.87% holding. GACL is the third-largest player in the domestic caustic chlorine industry with integrated operations. It produces a wide range of products including caustic soda, liquid and gaseous chlorine, hydrogen peroxide, phosphoric acid and aluminium chloride, among others, which find application in a wide range of industries, including textile, pulp and paper, aluminium, detergents, soaps, rayon, plastics, pharmaceuticals, water treatment, and agricultural chemicals among others.

Brief Financials (₹ crore)	FY24 (A)	FY25 (A)	FY24 (UA) ^	FY25 (UA) ^
Total operating income	3,785	4,055	4,379	4,849
PBILDT	115	343	159	451
PAT	(237)	(65)	(307)	(119)
Overall gearing (times)	0.09	0.10	0.38	0.30
Interest coverage (times)	2.57	6.78	0.86	2.32

A: Audited – Published consolidated financials

^ UA: Unaudited; basis the full consolidation of GNAL; Financials classified per CareEdge Ratings' standards

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
Commercial Paper-CP/STD *	NA	NA	NA	7-364 days	100.00	CARE A1+
Fund-based - LT-Cash Credit	-	-	-	-	130.00	CARE AA; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	339.50	CARE A1+
Term Loan-Long Term	-	-	-	March 31, 2028	352.34	CARE AA; Stable

*No commercial paper was outstanding as on June 11, 2025; NA = Not applicable

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	352.34	CARE AA; Stable	-	1)CARE AA; Stable (05-Aug-24)	1)CARE AA; Stable (13-Feb-24) 2)CARE AA+; Stable (20-Sep-23) 3)CARE AA+; Stable (26-Jun-23)	1)CARE AA+; Stable (27-Jun-22)
2	Commercial Paper-CP/STD	ST	100.00	CARE A1+	-	1)CARE A1+ (05-Aug-24)	1)CARE A1+ (13-Feb-24) 2)CARE A1+ (20-Sep-23) 3)CARE A1+ (26-Jun-23)	1)CARE A1+ (27-Jun-22)
3	Fund-based - LT-Cash Credit	LT	130.00	CARE AA; Stable	-	1)CARE AA; Stable (05-Aug-24)	1)CARE AA; Stable (13-Feb-24) 2)CARE AA+; Stable (20-Sep-23) 3)CARE AA+; Stable (26-Jun-23)	1)CARE AA+; Stable (27-Jun-22)
4	Non-fund-based - ST-BG/LC	ST	339.50	CARE A1+	-	1)CARE A1+ (05-Aug-24)	1)CARE A1+ (13-Feb-24) 2)CARE A1+ (20-Sep-23) 3)CARE A1+ (26-Jun-23)	1)CARE A1+ (27-Jun-22)

LT: Long term; ST: 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	Commercial Paper-CP/STD	Simple
2	Fund-based - LT-Cash Credit	Simple
3	Non-fund-based - ST-BG/LC	Simple
4	Term Loan-Long Term	Simple

Annexure-5: Lender details

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	GACL-NALCO Alkalies & Chemicals Pvt Ltd	Full	JV

Note: GACL applies equity method for the JV accounting for GNAL to arrive at consolidated financial results stating GNAL is not a material subsidiary. However, CareEdge Ratings has considered full consolidation of GNAL's financials to arrive at GACL's consolidated financials.

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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