Gujarat Alkalies and Chemicals Limited

August 03, 2026

Facilities/Instruments	Name of the Regulator[1]	Amount (₹ crore)	Rating[2]	Rating Action
Long-term bank facilities	RBI	372.63 (Reduced from 482.34)	CARE AA-; Stable	Downgraded from CARE AA; Stable
Short-term bank facilities	RBI	339.50	CARE A1+	Reaffirmed
Commercial paper	RBI	100.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in the long-term rating of Gujarat Alkalies and Chemicals Limited (GACL) factors in the lower-than-expected improvement in its consolidated financial performance in past two consecutive years ended FY26 (FY refers to April 01 to March 31). The slower-than-envisaged recovery during the period is primarily attributable to moderate caustic soda prices, continued negative chlorine realisations, weaker off-take of downstream products, slower ramp-up of recently commissioned capacities, and slower-than-expected improvement in the operating performance of its joint venture (JV) with National Aluminium Company Limited (NALCO), GACL-NALCO Alkalies & Chemicals Private Limited (GNAL). Revision in rating also factors fructification of negative rating sensitivities considered in the previous review by CARE Ratings Limited (CareEdge Ratings) vide its press release dated August 04, 2025, in terms of profit before interest, lease rentals, depreciation and taxation (PBILDT) margin and total debt to PBILDT.

CareEdge Ratings notes that while GACL and GNAL reported a notable improvement in operating profitability in Q1FY27, the sustainability of margins at these levels remains uncertain in view of the volatility in caustic prices, negative chlorine realisations, fluctuations in energy prices, and demand-related uncertainties across downstream products. While consolidated operating profitability and debt coverage indicators are expected to improve in FY27, the extent of recovery is likely to remain below previous expectations.

Ratings continue to derive strength from its established position in the domestic chlor-alkali industry along with its integrated operations. Ratings also derive strength from its wide product portfolio catering to diverse end-use industries, diversified energy mix, and its comfortable capital structure despite the consolidation of GNAL and proposed debt-funded capital expenditure in the medium term.

The long-term rating continues to be constrained by GACL's presence in the inherently cyclical chlor-alkali industry and the associated volatility in the electrochemical unit (ECU)[3] realisations, susceptibility of its profitability to volatility in energy prices and foreign exchange rates, as well as GACL's continued propensity to support GNAL's operations.

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 cyclicality of chlor-alkali industry and thus earning healthy PBILDT margin on a sustained basis; along with improvement in consolidated 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 15% on a sustained basis.

Negative factors

- Sustained pressure on its profitability marked by PBILDT margin remaining below 12% on a consolidated basis owing to continued lower ECU realisations on a sustained basis.
- Deterioration in consolidated total debt/PBILDT beyond 3.50x on a sustained basis.
- 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.

[1]SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority
[2]Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE Ratings Limited's publications.
[3]Caustic soda, chlorine, and hydrogen are co-products and hence ECU refers to weighted average realisations of the above co-products.

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 a 60% equity stake. Entities consolidated is placed at Annexure-5.

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

Outlook: Stable

Stable outlook reflects CareEdge Ratings' expectation that GACL shall continue to maintain its established position in the domestic caustic soda industry, supported by its integrated operations. CareEdge Ratings expects GACL's financial risk profile to improve, supported by an expected improvement in the industry scenario and better fixed-cost absorption through incremental revenues in the near-to-medium term.

Detailed description of key rating drivers

Key strengths

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

GACL is the third-largest producer of caustic soda in the country, 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, 2026, 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 continuous expansion of its production capacities to cater to the growing demand for its products over 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, enabling it to leverage its large production capacity and protect its profitability from the effects of volatility in chlorine prices, to some extent.

Integrated operations and diverse end-user 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. This also protects GACL's profitability, to an extent, from the effects of the inherent cyclicality in the demand, as the adverse demand scenario for one set of products is countered by favourable movement in other products. GACL's products find application across a diverse range of industries, including textile, pulp and paper, alumina, soaps and detergents, rayon, fertilisers, petroleum, pharmaceuticals, agrochemicals, water treatment, ink, and paint among others. This allows GACL to cater to a diverse customer base, thus helping it counter a slowdown in an industry or a group of industries to a certain extent.

Diversified energy mix with increasing renewable contribution

GACL's cost structure remains competitive owing to membrane cell technology, which consumes lower power than the traditional mercury cell technology. GACL meets its energy requirement through a diversified mix comprising a 90-MW gas-based captive power plant, 171.45 MW of wind capacity, 36.42 MW of solar capacity and power purchased from the state grid. GACL also avails excess power from GNAL's 130-MW coal-based captive power plant for its adjacent chloromethane facility. Despite an increase in total power consumption, the average power cost declined to ₹7.90 per unit in FY26 (FY25: ₹8.42 per unit), supported by an efficient utilisation of renewable power sources and short-term renewable sourcing. GACL currently sources ~35% of its electricity requirements from renewable sources. Going forward, with planned investments in hybrid renewable capacity, GACL expects the share to increase ~60% in the medium term.

Comfortable capital structure despite full consolidation of JV, GNAL

GACL's capital structure remained comfortable despite the full consolidation of GNAL, with consolidated overall gearing (factoring GACL's 60% backstop support for GNAL's compulsorily convertible debentures (CCDs) as debt) broadly stable at 0.38x as on March 31, 2026 (0.37x as on March 31, 2025). Despite the proposed debt-funded capex by GACL, consolidated gearing is expected to remain comfortable at ~0.40x in the medium term, supported by GACL's sizeable net worth base and improving cash accruals.

Key weaknesses

Lower-than-expected improvement in the financial performance, resulting in continued moderate debt coverage indicators

GACL's consolidated total operating income (TOI) grew by ~5% to ₹5,091 crore in FY26 (FY25: ₹4,849 crore), while its PBILDT margin stood to 10.72% (FY25: 9.31%). On a standalone basis, GACL reported TOI of ₹4,329 crore in FY26 (FY25: ₹4,055 crore), with PBILDT margin of 8.74% (FY25: 8.45%). The improvement in operating profitability was significantly below expectations, primarily due to moderate caustic soda prices, continued negative chlorine realisations prevailing ~₹7,000-8,000/ MT, weaker off-take of few downstream products, and slower ramp-up of its chlorotoluene plant, resulting in the under-absorption of fixed costs. Average caustic prices stood at US $452/ MT in FY26 against US $495/ MT in FY25. GNAL's performance also remained below expectations, with TOI of ₹1,120 crore in FY26 (FY25: ₹1,084 crore), due to lower-than-envisaged recovery following the shutdown in Q1FY26 and subdued ECU realisations. Nevertheless, GNAL's net losses narrowed to ₹39 crore in FY26 (FY25: net loss of ₹135 crore). Consequently, recovery in GACL's consolidated operating performance remained slower-than-earlier-envisaged. CareEdge Ratings had expected the PBILDT margin of 13-15% on a standalone basis and 14-16% on a consolidated basis.

GACL's consolidated debt coverage indicators improved in FY26, with PBILDT interest coverage at 3.56x (FY25: 2.42x) and total debt/ PBILDT at 3.74x (FY25: 4.80x) in FY26. However, the indicators remained moderate and below expectations due to lower-than-envisaged improvement in operating profitability. CareEdge Ratings had expected the PBILDT interest coverage to improve to above 4.4x and total debt to PBILDT to remain below 2.25x on a consolidated basis.

GACL reported TOI of ₹1,245 crore and PBILDT margin of 17.81% in Q1FY27, compared to ₹1,105 crore and 10.55%, respectively, in Q1FY26, largely on the back of sudden uptick in caustic prices during the period. GNAL reported TOI of ₹286 crore with a PBILDT margin of 18.63% in Q1FY27. While Q1FY27 performance reflects improvement in operating profitability, the sustainability of margins at similar levels remains uncertain, given continued negative chlorine realisations, volatility in ECU realisations, demand uncertainties, and fluctuations in energy prices. As per the revised estimates of CareEdge Ratings, consolidated PBILDT interest coverage is expected to gradually improve above 4-5x, while total debt/ PBILDT is expected to remain below 3x in the near-to-medium term. Sustained improvement in ECU realisations and stabilisation of GACL's downstream capacities to increase captive chlorine consumption shall remain key monitorables.

Exposure to cyclicality in the chlor-alkali industry and volatility in energy prices
The chlor-alkali industry is inherently cyclical, with ECU realisations influenced by the demand-supply dynamics for caustic soda and chlorine. Any adverse shift in the industry's demand-supply balance and rise in cheaper imports may exert pressure on ECU realisations and consequently GACL's operating profitability. The domestic caustic soda market remained relatively insulated from imports in FY26. However, international caustic soda prices faced pressure in FY26 primarily due to subdued global industrial demand and geo-political uncertainties.

GACL's profitability is also susceptible to adverse movements in gas and power prices, as electrolysis is an energy-intensive process and power constitutes a significant part of its cost structure. Geopolitical tensions result in volatility in energy prices and freight costs, thereby affecting GACL's operating cost structure. Power cost constituted ~30-34% of GACL's TOI in the past few years against ~25% in FY22. Furthermore, GACL also remains exposed to foreign exchange fluctuations. However, the risk is largely mitigated by a natural hedge, with exports of ~₹920 crore in FY26 against imports of ~₹444 crore.

Liquidity: Strong
GACL's liquidity is strong, supported by free cash and cash equivalents of ₹168 crore as on March 31, 2026 (₹138 crore as on March 31, 2025), and healthy cash flow from operations. The operating cycle remained comfortable at 26 days in FY26. GACL's largely unutilised fund-based limits shall be adequate to meet its working capital requirements. GACL primarily avails short-term loans from Gujarat State Financials Services (GSFS) to meet its incremental working capital requirements.

GACL has capex plans of ~₹1,300-1,400 crore over the next three years ended FY29, primarily towards a food-grade phosphoric acid plant at Dahej, installation of four biofuel/ coal-fired boilers, expansion of its caustic soda flakes and caustic potash facilities, an E-grade hydrogen peroxide facility, and other upgradation and maintenance capex. Around 60-70% of this capex is expected to be funded through debt from GSFS or other financial institutions, while the balance is expected to be funded through internal accruals and available liquidity. GACL's consolidated overall gearing is expected to remain comfortable in similar range despite the envisaged capex.

Although GNAL's standalone liquidity remains constrained by sizeable debt-servicing obligations, comfort is derived from its operational cash flows, established off-take arrangements, expected financial support from GACL and NALCO in case of exigencies and an option to resort to the GSFS for availing loan for debt servicing and working capital requirements.

Environment, social, and governance (ESG) risks

Risk factors	Compliance and action by the company
Environmental	The treated wastewater, after conforming to Gujarat Pollution Control Board (GPCB) norms is discharged into the channel operated by Vadodara Enviro Channel Limited, which is ultimately discharged into the Bay of Khambhat. GACL's air emissions are maintained within GPCB norms. The waste is disposed of at the Treatment, Storage and Disposal facility or Common Hazardous Waste Incineration Facility depending on its nature and applicable disposal requirements. GACL ensures energy audit at regular intervals and has installed capacities of 36.42 MW in solar power and 171.45 MW in wind power.

Risk factors	Compliance and action by the company
Social	GACL follows the required protocols to ensure the safety and well-being of its employees. For instance: providing personal protective equipment and training workers on the health and safety aspects associated with handling chemicals.
Governance	Over 50% of GACL's board comprises independent directors. GACL has a dedicated investor grievance redressal mechanism with healthy disclosures. GACL ensures separate meetings for independent and non-independent directors and holds regular internal risk management committee meetings to address identified risks and determine 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 & 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, 2026, GoG as the promoter, through its undertakings, held 47.28% equity in the company, the largest being through Gujarat State Investments Ltd (GSIL) with 20.87% holding. GACL is the third-largest producer in the domestic caustic chlorine industry with integrated operations. It produces a wide range of products, including caustic soda, chloromethane, hydrogen peroxide, phosphoric acid, aluminium chloride, liquid and gaseous chlorine, 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 – Consolidated (₹ crore)	FY25 (A)	FY26 (A)	Q1FY27 (UA)	FY25 (UA) ^	FY26 (UA) ^
Total operating income	4,055	4,329	1,245	4,849	5,091
PBILDT	343	378	222	451	546
PAT	(65)	(2)	55	(111)	2
Overall gearing (times)	0.10	0.11	NA	0.37	0.38
Interest coverage (times)	7.78	7.95	13.72	2.42	3.56

A: Audited – Published consolidated financials
^ UA: Unaudited; basis the full consolidation of GNAL; Financials classified per CareEdge Ratings' standards
NA: Not available; 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

For complexity level of instruments rated: Annexure-1

Lender details: Annexure-4

Disclosure on facilities/instruments and name of the regulators:
A list of facilities / instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by CareEdge Ratings on its website. A link to the same has been provided below for ready reference:
https://www.careratings.com/activities_and_regulators

Note: For facilities or instruments falling under the purview of FSRs other than Securities and Exchange Board of India (SEBI), the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Annexure-1: Details of instruments/facilities

Name of the Instrument	Name of the Regulator	Complexity Level	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*	RBI	Simple	NA	NA	NA	7-364 days	100.00	CARE A1+
Fund-based - LT-Cash Credit	RBI	Simple	-		-	-	130.00	CARE AA-; Stable
Non-fund-based - ST-BG/LC	RBI	Simple	-		-	-	339.50	CARE A1+
Term Loan-Long Term	RBI	Simple	-		-	17-03-2028	242.63	CARE AA-; Stable

*No commercial paper was outstanding as on July 10, 2026; 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 2026-2027	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
1	Term Loan-Long Term	LT	242.63	CARE AA-; Stable	-	1)CARE AA; Stable (04-Aug-25)	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)
2	Commercial Paper-CP/STD	ST	100.00	CARE A1+	-	1)CARE A1+ (04-Aug-25)	1)CARE A1+ (05-Aug-24)	1)CARE A1+ (13-Feb-24) 2)CARE A1+ (20-Sep-23) 3)CARE A1+ (26-Jun-23)
3	Fund-based - LT-Cash Credit	LT	130.00	CARE AA-; Stable	-	1)CARE AA; Stable (04-Aug-25)	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)
4	Non-fund-based - ST-BG/LC	ST	339.50	CARE A1+	-	1)CARE A1+ (04-Aug-25)	1)CARE A1+ (05-Aug-24)	1)CARE A1+ (13-Feb-24) 2)CARE A1+ (20-Sep-23) 3)CARE A1+ (26-Jun-23)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable.

Annexure-4: Lender details

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

Annexure-5: 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 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:

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