May 29, 2025

Nirma Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Commercial paper	1,500.00	1,500.00	[ICRA]A1+; reaffirmed
Total	**1,500.00**	**1,500.00**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of the rating assigned to the commercial paper of Nirma Limited (Nirma/the company) factors in the company's established market position in the domestic soda ash and soaps and detergents (S&D) business, further supported by the highly backward-integrated nature of its operations.

The rating also factors in the diversified revenue and EBITDA base for the standalone operations as well as the diversification achieved through the acquisition of Glenmark Lifesciences Limited (GLS), now known as Alivus Lifesciences (ALL). On a standalone basis, the company's cash generation has remained range-bound because of the diversified revenue and EBITDA stream. At a consolidated level, the acquisition of ALL has rendered stability to the overall cash generation. This is because ALL's operating margins have been stable and much higher than Nirma's legacy businesses as the former manufactures active pharmaceutical ingredients (APIs) in the cardiovascular (CVS) and central nervous system (CNS) segments and provides contract development and manufacturing operations (CDMO).

While the consolidated credit profile had moderated in FY2024 because of the sizeable debt taken to complete the acquisition of GLS, the credit profile improved in FY2025 and is expected to further improve in FY2026 and FY2027 with the repayment of the debt. The net debt/OPBDITA had risen to 4.1x in FY2024 from 0.6x in FY2023. The consolidated net debt/OPBDITA is expected to improve to around 2.2x in FY2025 with the repayment of the first tranche of the acquisition debt and higher operating profits. Going forward, a healthy cash generation should help improve the company's net debt/OPBDITA and interest coverage ratios in FY2026 and FY2027.

ICRA notes that the company had written down its investments in Niyogi Enterprises Private Limited (NEPL) by Rs. 2,688.5 crore in FY2025. While the impairment is a non-cash write-down and has not impacted the cash flow, it has affected the company's net worth, although the impact on the capitalisation metrics is not material. Any further impairment losses impacting the net worth will remain a key monitorable.

The rating, however, is constrained by the vulnerability of its profitability to commodity price cycles, foreign exchange fluctuations, import duty levels and elevated competition in the S&D business, besides the sizeable contingent liabilities. The rating is also constrained by the subdued performance of the overseas soda ash operations.

Key rating drivers and their description

Credit strengths

Integrated operations in soda ash and S&D segments; strong control over cost structure - Backward integration, a key strategic strength for Nirma, has protected it from the steadily increasing raw material prices in the last few years. Additionally, it ensures timely and adequate raw material supply. Nirma manufactures soda ash and LAB, which are the key raw materials to manufacture detergents. Further, its operations are backward integrated to manufacture n-paraffins and other chemicals. The company has large salt pans in Gujarat, which provide a steady supply of salt for soda ash production. It has set up a larger capacity of soda ash than its captive requirements, strengthening its market position in the soda ash business. Thus, there is considerable control over the cost structure, which continues to result in a competitive advantage.

Diversified revenue and EBIDTA sources, further strengthened by the acquisition of pharmaceutical business – On a standalone basis, the company's cash generation has remained range-bound because of the diversified revenue and EBITDA stream as it has integrated operations. The standalone operations include manufacturing of soda ash, caustic soda and LAB which are key inputs for the soaps and detergent segment and thus overall operations have witnessed rangebound cash generation. At a consolidated level, the acquisition of ALL has rendered stability to the overall cash generation. This is because ALL's operating margins have been stable and much higher than Nirma's legacy businesses as the former manufactures active pharmaceutical ingredients (APIs) in the cardiovascular (CVS) and central nervous system (CNS) segments and provides contract development and manufacturing operations (CDMO).

Healthy financial risk profile- Nirma's financial risk profile is characterised by range-bound operating profits in standalone operations, which supported deleveraging of the balance sheet from the acquisition debt take in the past to acquire the cement businesses. In FY2024, Nirma's consolidated credit metrics moderated sharply owing to the reduction in the operating profits and uptake of sizeable debt to acquire ALL. The net debt/OPBDITA rose to 4.1x in FY2024 from 0.6x in FY2023. The consolidated net debt/OPBDITA is expected to improve to around 2.2x in FY2025 with the first tranche of the acquisition debt being paid off in February 2025. Going forward, a healthy cash generation should help improve further the company's net debt/OPBDITA and interest coverage ratio in FY2026 and FY2027.

Credit challenges

Competition in soaps and detergents - Nirma is a significant player in the detergent market after Hindustan Unilever Limited (HUL), Rohit Surfactant (brand: Ghari) and P&G. While HUL is present across multiple categories, Nirma tends to focus on value-for-money offerings. As the company mostly caters to the price-sensitive economy segment, it faces high competition from unorganised players. However, the competitive pressure is mitigated by Nirma's strong brand, wide distribution network and a diversified business model.

Vulnerability of profitability to commodity cycles; muted performance of foreign subsidiary - Soda ash, caustic soda and LAB drive 60-65% of Nirma's revenues on a standalone basis. The commoditised nature of the chemicals exposes the company's margins to global prices, domestic demand-supply fluctuations, forex rates and import duty levels, despite the strong control over costs on account of backward integration. Additionally, the performance of the foreign subsidiary engaged in the manufacturing of natural soda ash has been subdued for the last several years. ICRA notes that the Group is working towards making operational improvements in its US subsidiary and this will remain a key monitorable, going forward.

Sizeable contingent liabilities - Nirma has sizeable contingent liabilities in the form of direct tax related disputes in the last few years. The disputes have been contested by the management and the developments will be monitored.

Liquidity position: Adequate

Nirma's liquidity position is expected to remain adequate, supported by cash flow from operations in the range of Rs. 1,200-Rs. 1,500 crore per annum over FY2026 and FY2027, unencumbered cash balances of around Rs. 1,000 crore as on March 31, 2025 on a consolidated basis and a cushion of ~Rs. 313 crore in working capital limits for Nirma standalone as on March 31, 2025 (on the basis of drawing power). The repayment obligations in FY2026 are expected to be around Rs. 1,550 crore which ICRA expects the company to meet comfortably, given its exceptional financial flexibility.

Rating sensitivities

Positive factors – NA

Negative factors – Pressure on the rating may arise if there is a material deterioration in the company's revenue and profitability and/or its working capital cycle that would weaken of the leverage and coverage metrics along with a significant moderation in the liquidity profile.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Nirma, including its five subsidiaries that are listed in Annexure II

About the company

Nirma Limited (Nirma), set up by Dr Karsanbhai K Patel in 1980, is one of the leading manufacturers of detergents, soaps and chemicals in India. The company has steadily expanded its operations over the years and has manufacturing plants at Mehsana, Ahmedabad, Vadodara, Bhavnagar, Porbandar in Gujarat. The company has backward integrated its manufacturing processes, and produces a variety of chemicals used as inputs to make soaps and detergents.

The company is the one of the largest soda ash manufacturers in India and also makes other products like caustic soda, bromine, etc. The company runs soda ash operations in Searles Valley in the US through its wholly-owned subsidiary, Karnavati Holdings Inc., for the extraction of natural soda ash. In March 2024, the company also acquired a 75% ownership in Glenmark Life Sciences Limited, resulting in significant diversification in the lifesciences business.

Key financial indicators (audited)

Nirma Ltd (consolidated)	FY2023	FY2024	9M FY2025*
Operating income	11,349	10,403	5,324
PAT	909	297	-2,381
OPBDIT/OI	18.9%	11.4%	18.2%
PAT/OI	11.1%	5.7%	-40.9%
Total outside liabilities/Tangible net worth (times)	0.6	1.0	
Total debt/OPBDIT (times)	1.3	5.6	
Interest coverage (times)	10.2	4.1	2.6

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore
*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; * Standalone*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Amount rated (Rs. crore)	Current (FY2026) May 29 2025	Chronology of rating history for the past 3 years FY2025 Date	FY2025 Rating	FY2024 Date	FY2024 Rating	FY2023 Date	FY2023 Rating
Term loans	Long term	-	-	May 06, 2024	[ICRA]AA (Stable); withdrawn	Oct 03, 2023	[ICRA]AA; Rating Watch with Developing Implications	Sep 30, 2022	[ICRA]AA (Positive)
						Aug 11, 2023	[ICRA]AA (Positive)		
Commercial paper	Short term	1500.00	[ICRA]A1+	May 06, 2024	[ICRA]A1+	Oct 03, 2023	[ICRA]A1+	Sep 30, 2022	[ICRA]A1+
						Aug 11, 2023	[ICRA]A1+		

Complexity level of the rated instruments

Instrument	Complexity indicator
Commercial paper	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE091A14EJ7	**Commercial paper**	19-Mar-25	7.60%	12-Jun-25	300	[ICRA]A1+
INE091A14EK5	**Commercial paper**	5-May-25	6.70%	1-Aug-25	65	[ICRA]A1+
INE091A14EL3	**Commercial paper**	9-May-25	6.70%	5-Aug-25	150	[ICRA]A1+
NA*	**Commercial paper**	NA	NA	NA	985.00	[ICRA]A1+

*Source: Company; *Unplaced*

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Karnavati Holdings Inc (USA)	100.00%	Full consolidation
Searles Valley Minerals Inc	100.00%	Full consolidation
Trona Railway Company LLC	100.00%	Full consolidation
Searles Domestic Water Company LLC	100.00%	Full consolidation
Searles Valley Minerals Europe	100.00%	Full consolidation
Alivus Lifesciences Limited	75.00%	Full consolidation

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