

July 07, 2025

GACL- NALCO Alkalies and Chemicals Private Limited: Ratings assigned

Summary of rating action

| Instrument* | Current rated amount (Rs. crore) | Rating action |
|---|-------------------------------------|--|
| Long term fund based-Term loan | 658.88 | [ICRA]BBB+ (Stable); assigned |
| Long-term fund-based limits | 160.00 | [ICRA]BBB+ (Stable); assigned |
| Short-term non-fund based limits | 60.00 | [ICRA]A2; assigned |
| Long term/Short term unallocated limits | 421.12 | [ICRA]BBB+ (Stable)/[ICRA]A2; assigned |
| Total | 1,300.00 | |

*Instrument details are provided in Annexure I

Rationale

GNAL (GACL-NALCO Alkalies & Chemicals Pvt. Ltd.) is a joint venture between Gujarat Alkalies and Chemicals Limited (GACL) and National Aluminium Company Limited (NALCO), with GACL holding 60% equity stake and NALCO 40%. The assigned ratings favourably factor in the strong parentage and the benefits from the operational synergies with its parent GACL in terms of shared utilities, procurement of raw materials and marketing of products. GACL has extended its support to GNAL by providing mandatory buy out for compulsorily convertible debentures (CCDs).

The ratings are also supported by the offtake arrangement with NALCO, covering more than half of GNAL's total production of caustic soda, while chlorine and some other utilities are supplied to GACL. Additionally, the company has a marketing arrangement with GACL for the sales of the remaining output. Further, GNAL has a captive coal-based power plant, which provides cost competitive power to the company's caustic plant and generates additional profit by way of sales of excess power to GACL. ICRA notes that the capacity utilisation of the plant has improved, which coupled with these offtake arrangements, is likely to help expand the company's scale and profitability.

The profitability remains vulnerable to the volatility in caustic soda prices owing to the commoditised nature of the product and the cyclical nature associated with the chlor-alkali industry. Moreover, tepid global demand conditions and the domestic oversupply situation can also impact the realisations. Disposal of chlorine, a by-product in the production of caustic soda, remains an issue for industry players. For this, the company supplies chlorine to GACL and has undertaken downstream integration for manufacturing hydrochloric acid. ICRA also notes that the current electro-chemical unit (ECU)* realisations remain suboptimal, resulting in suppressed debt coverage indicators. While the ECU realisations have been improving over the last few months, these remain subdued. Hence, an improvement in the ECU realisations remains a key monitorable. However, the resourceful promoters and the importance of this plant to GACL provides comfort.

The Stable outlook reflects ICRA's opinion that GNAL's growth and revenues would be supported by the offtake agreements in place for majority of the produce.

*ECU - An electrochemical unit (ECU is a standard unit used to measure the combined production of three key products that result from the electrolysis of brine (saltwater): caustic soda, chlorine gas and hydrogen gas. These three products are always produced together in fixed proportions during the electrolysis process.

Key rating drivers and their description

Credit strengths

Strong operational synergies with parent (with GACL being a dominant chlor-alkali player) and track record of financial support - The GNAL facility is strategically located adjacent to GACL's existing plants, enabling the company to leverage shared infrastructure and operational synergies. GNAL has entered into multiple formal agreements with GACL for the supply of essential chemical products, including chlorine. GACL plays a pivotal role in supporting GNAL across the procurement, marketing, and other operational domains, ensuring seamless functioning of the joint venture. All products manufactured by GNAL are either consumed by its promoters or marketed through GACL, which also manages export operations. Further, GNAL's HR policies and procurement functions are aligned with those of GACL, reinforcing operational consistency and governance.

GNAL issued COMPULSORY CONVERTIBLE DEBENTURES (CCDs) worth Rs. 500 crore to IndusInd Bank Limited. These CCDs carry an interest rate of 8.56% (quarterly reset rate) and a tenor of five years, with a mandatory buyout obligation by GACL and NALCO in proportion to their respective shareholdings (60:40). As per the management of GACL, it would provide extended credit period to GNAL in case the need arises.

Secured offtake agreement with NALCO mitigates volume risk for half of production capacity; market risk persists for balance output - GNAL has entered into a secured offtake agreement with NALCO for the supply of 1.50 lakh MTPA of caustic soda, out of its total production capacity of 2.67 lakh MTPA. This arrangement significantly mitigates the volume risk for over 56% of GNAL's output. The pricing is determined through a tender process and remains fixed for a six-month period. At present, GNAL meets 50-60% of NALCO's caustic soda requirements. With NALCO planning to commission an additional smelting unit, there is potential for increased offtake in the future.

For the remaining production, GNAL is exposed to market risk. However, GACL's established position in the chlor-alkali industry is expected to mitigate this risk to a certain extent, given its strong market presence, customer base and distribution network.

Forward integration with GACL's chloromethane plant provides stable offtake for chlorine output - GNAL and GACL have formalised multiple agreements for the supply of key chemical products such as chlorine. Around 50% of GNAL's chlorine output is delivered to GACL's adjoining chloromethanes plant via a dedicated pipeline, ensuring stable and consistent offtake.

Captive coal power plants offer competitive energy costs; exposure to coal price volatility remains - The production of caustic soda via the electrolysis of brine is highly energy-intensive, with power expenses accounting for 40-50% of the total production costs in the chlor-alkali industry. Consequently, an effective management of energy costs is critical to maintaining the profitability. GNAL has set up a 130-MW (2x65) captive co-generation power plant (CPP) which offers significant cost advantage over grid electricity. The company uses a combination of imported coal (80%) and lignite (15-20%) for its captive power plant. The variable cost of power is around Rs. 5.3-5.5 per unit. Of the 130 MW of electricity generated, 85 MWH is utilised internally for the caustic soda plant, 15 MWH is used for self-consumption while 10 MWH is supplied to GACL's chloromethanes plant. The surplus 20MWH is transferred to GACL through grid.

However, the cost-effectiveness of this arrangement is contingent upon stable coal availability and pricing. Any disruptions in coal supply or sharp increases in coal prices could negatively impact power costs and, by extension, the company's profitability.

Credit challenges

Large debt-funded project to keep debt levels elevated and moderate modest coverage metrics - The total cost for the GNAL project was estimated at Rs. 2,300 crores, which was financed in a debt-to-equity ratio of 70:30. GNAL issued compulsory convertible debentures to part refinance its ECB loan. Now, the company has got a sanction from Gujarat State Financial services (GSFS) of Rs. 380 crores to repay the balance ECB on June 11, 2025. Earlier, too, the company had availed a loan of Rs. 250 crores from GSFS to fund the losses.

Thus, the capital structure of the company remains low with a gearing of 3.5x and net debt to OPBDITA of 12.1x in FY2025. Going forward, the net debt to OPBDITA is expected to improve. The debt coverage metrics remains moderate with interest coverage ratio above 0.8x and DSCR of less than 1x in FY2025. The coverage metrics are projected to improve, going forward, supported by healthy profitability margins, although these will continue to be subdued.

Profitability vulnerable to ECU realisations; may require additional support/external debt to fund cash flow mismatches in case of sustained muted realisations - The profitability of caustic soda manufacturing companies depends on ECU realisations. Cyclical downturns or adverse variability in the demand-supply balance may drag down the realisations of caustic soda players. In such scenarios, the company may face cash flow mismatches, particularly if muted realisations persist over an extended period. To navigate these challenges, GNAL may require additional financial support from its promoters or resort to external debt to maintain liquidity and meet operational obligations.

Liquidity position: Adequate

GNAL's liquidity position is adequate, supported by the recent Rs. 380-crore loan sanctioned by GSFS to fully repay its ECB loan on June 11, 2025, of which Rs. 355 crore is planned to be drawn. Earlier, the company had availed compulsorily convertible debentures (CCDs) to partially refinance its ECB loan. The company had also availed a loan of Rs. 250 crore from GSFS to fund the losses. Additionally, GNAL has unutilised working capital limits of Rs. 78 crore as on March 31, 2025, and no major capex plans in the near-to-medium term.

Rating sensitivities

Positive factors – The ratings could be upgraded if the company is able to significantly scale up its revenues, profits and coverage metrics, while enhancing its liquidity position.

Negative factors – The ratings could be revised downwards in case of a sustained pressure on GNAL's revenue and profitability. This apart, a deterioration in the parent company's credit profile, or a weakening of linkage with the parent company, or a change in the support philosophy could also result in a downgrade.

Analytical approach

| Analytical approach | Comments |
|---------------------------------|--|
| Applicable rating methodologies | Corporate Credit Rating Methodology Chemicals |
| Parent/Group support | Operational and financial support from parent company - Gujarat Alkalies and Chemicals Limited |
| Consolidation/Standalone | Standalone |

About the company

GACL-NALCO Alkalies and Chemicals Private Limited (GNAL) is a joint venture company of Gujarat Alkalies and Chemicals Limited (GACL; a company promoted by the Government of Gujarat) with a 60% stake and National Aluminium Company

Limited (NALCO; a Government of India undertaking and a Navratna company) with a 40% stake. It was incorporated on December 4, 2015, with its headquarter at Vadodara. GNAL's plant is in Dahej.

GNAL has set up a greenfield project of a 2,66,667-MTPA caustic soda Plant and a 130-MW (2 x 65) captive co-generation power plant (CPP) at Dahej, Gujarat. The major products of GNAL are caustic soda, chlorine, hydrogen, hydrochloric acid/hydrogen chloride, sodium hypochlorite, dilute sulphuric acid and electricity. GNAL's caustic soda plant supplies chlorine to the adjoining chloromethanes plant of GACL through a dedicated pipeline. GNAL also supplies various utilities like power, steam, cooling water, DM water, compressed air etc. to the chloromethanes plant.

All the products of GNAL are marketed by GACL. GNAL is also obliged to supply more than 50% of the caustic soda produced by it to the other promoter, NALCO. Thus, GNAL was formed as a JV of GACL and NALCO with the intention to have backward integration with these promoters to serve their respective feedstock needs. Both the promoters, GACL & NALCO, depend heavily on the sustained operations of the GNAL's plants.

Key financial indicators (audited)

| GACL-NALCO | FY2024 | FY2025 |
|--|--------|---------|
| Operating income | 776.1 | 1,084.1 |
| PAT | -174.3 | -134.9 |
| OPBDIT/OI | 7.3% | 11.3% |
| PAT/OI | -22.5% | -12.4% |
| Total outside liabilities/Tangible net worth (times) | 9.0 | 4.2 |
| Total debt/OPBDIT (times) | 32.2 | 12.1 |
| Interest coverage (times) | 0.4 | 0.8 |

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

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Current (FY2026) | | | | Chronology of rating history for the past 3 years | | | | | | |
|-----------------------|----------------------|--------------------------|---------------|---|--------|--------|--------|--------|--------|--------|
| | | | | FY2026 | FY2025 | | FY2024 | | FY2023 | |
| Instrument | Type | Amount rated (Rs. crore) | Date | Rating | Date | Rating | Date | Rating | Date | Rating |
| Term loan | Long term | 658.88 | July 07, 2025 | [ICRA]BBB+ (Stable) | - | - | - | - | - | - |
| Fund-based limits | Long term | 160.00 | July 07, 2025 | [ICRA]BBB+ (Stable) | - | - | - | - | - | - |
| Non-fund based limits | Short term | 60.00 | July 07, 2025 | [ICRA]A2 | - | - | - | - | - | - |
| Unallocated limits | Long term/Short term | 421.12 | July 07, 2025 | [ICRA]BBB+ (Stable)/[ICRA]A2 | - | - | - | - | - | - |

Complexity level of the rated instruments

| Instrument | Complexity indicator |
|---|----------------------|
| Long term fund based - Term loan | Simple |
| Long term fund-based limits | Simple |
| Short term non-fund based limits | Very Simple |
| Long term/Short term unallocated limits | Not Applicable |

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 |
|------|---|------------------|-------------|----------|--------------------------|----------------------------------|
| NA | Long term fund based - Term loan | FY2023 | 1-year MCLR | FY2032 | 658.88 | [ICRA]BBB+ (Stable) |
| NA | Long term fund-based limits | NA | NA | NA | 160.00 | [ICRA]BBB+ (Stable) |
| NA | Short term non-fund based limits | NA | NA | NA | 60.00 | [ICRA]A2 |
| NA | Long term/Short term unallocated limits | NA | NA | NA | 421.12 | [ICRA]BBB+ (Stable)/ [ICRA]A2 |

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not Applicable

ANALYST CONTACTS

Girishkumar Kadam

+91 22 6114 3441

girishkumar@icraindia.com

Prashant Vasisht

+91 124 4545 322

prashant.vasisht@icraindia.com

Ankit Jain

+91 124 4545 865

ankit.jain@icraindia.com

Himani Sanghvi

+91 79 6923 3048

himani.sanghvi@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar

+91 22 6114 3406

shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2025 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.