

October 03, 2023

Nirma Limited: Long-term rating placed on watch with developing implications and short-term rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term loan	300.00	300.00	[ICRA]AA; placed on rating watch with developing implications
Commercial paper programme	1,500.00	1,500.00	[ICRA]A1+; reaffirmed
Total	1,800.00	1,800.00	

*Instrument details are provided in Annexure-I

Rationale

On September 21, 2023, Nirma Limited (Nirma) announced that it had entered in to a definitive agreement with Glenmark Pharmaceuticals Limited (GLP) for the acquisition of a ~75% stake in Glenmark Lifesciences Limited (GLS) from its parent company, GLP. The acquisition cost for the 75% stake will be ~Rs. 5,652 crore at a price of Rs. 615 per share. GLS is the subsidiary of GLP, wherein the latter holds an ~83% stake. As part of the transaction, GLP would continue to hold an ~8% stake in GLS, while Nirma would make a mandatory open offer to the public shareholders of GLS (constituting ~17%) at a price of ~Rs. 631 per share. The acquisition would be subject to closing adjustments and the receipt of regulatory and shareholder approvals.

Nirma will be funding the transaction through a mix of external borrowings and the liquidity on its books. However, the exact funding mix, repayment terms and other associated details are yet to be firmed up. Additionally, the funding requirements will crystallise post the outcome of the open offer. In addition, the acquisition is subject to approval from the regulators and shareholders. ICRA takes note of these developments and has placed the long-term ratings of Nirma on rating watch with developing implications while reaffirming the short-term rating of the commercial paper programme. ICRA will continue to monitor the developments in this regard and take appropriate rating action as and when further clarity emerges on the above points on Nirma's credit profile.

Please refer to the following link for the previous detailed rationale that captures the key rating drivers and their description, the liquidity position, rating sensitivities, and key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology for Entities in the Chemical Industry
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Nirma, its five subsidiaries and an associate, which are all listed in Annexure II

About the company

Nirma, set up by Dr. Karsanbhai K. Patel in 1980, is a diversified manufacturer of chemicals such as soda ash, caustic soda, LAB, and FMCG products like soaps, detergents and edible salt. The company has steadily expanded its operations over the years and has manufacturing plants in Searles Valley (USA), Mehsana, Ahmedabad, Vadodara, Bhavnagar and Porbandar in Gujarat. It has backward integrated its manufacturing processes by producing a variety of chemicals used as inputs to manufacture detergents. The company has soda ash operations in the US through its wholly-owned subsidiary, Karnavati Holdings Inc.

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 rating (FY2024)		Chronology of rating history for the past 3 years			
			Amount outstanding as on March 31, 2023 (Rs. crore)	Date & rating in FY2024		Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Oct 03, 2023	Aug 11, 2023	Sep 30, 2022	Sep 28, 2021	Sep 04, 2020
1 Commercial paper	Short Term	1500.00	695.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
2 Term loan	Long Term	300.00	143.00	[ICRA]AA; Rating Watch with Developing Implications	[ICRA]AA (Positive)	[ICRA]AA (Positive)	[ICRA]AA (Stable)	[ICRA]AA (Negative)
3 Non-convertible debentures	Long Term	-	-	-	-	-	-	[ICRA]AA (Negative); withdrawn

Complexity level of the rated instruments

Instrument	Complexity Indicator
Commercial paper	Very Simple
Term loan	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/Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	FY2019	-	FY2026	300.00	[ICRA]AA; Rating Watch with Developing Implications
INE091A14DJ1	Commercial paper	17-02-2023	7.58%	18-05-2023	100.00	[ICRA]A1+
INE091A14DJ9	Commercial paper	03-03-2023	7.85%	01-06-2023	220.00	[ICRA]A1+
INE091A14DK7	Commercial paper	15-03-2023	7.72%	07-06-2023	375.00	[ICRA]A1+
NA	Commercial paper- Yet to be placed	NA	NA	NA	805.00	[ICRA]A1+

Source: Company

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. (USA)	100.00%	Full Consolidation
Searles Domestic Water Company (USA)	100.00%	Full Consolidation
Trona Railway Company LLC (USA)	100.00%	Full Consolidation
Searles Valley Minerals Europe (France)	100.00%	Full Consolidation
FRM Trona Fuels LLC (USA) (till December 31, 2021)	49.00%	Equity Method

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About ICRA Limited:

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