November 27, 2026

Lords Chloro Alkali Limited: Rating reaffirmed; outlook revised to Positive from Stable

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long term – Fund based – Cash credit	30.00	35.00	[ICRA]BBB+(Positive); reaffirmed; outlook revised to Positive from Stable	RBI
Long term – Fund based – Term loan	90.00	90.00	[ICRA]BBB+(Positive); reaffirmed; outlook revised to Positive from Stable	RBI
Long term – Unallocated	6.90	1.90	[ICRA]BBB+(Positive); reaffirmed; outlook revised to Positive from Stable	RBI
Total	**126.90**	**126.90**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments which fall under the regulatory purview of financial sector regulators other than SEBI

Rationale

The ratings for the bank lines of Lords Chloro Alkali Limited (LCAL/the company) have been reaffirmed and the outlook has been revised to Positive from Stable. The revision in the outlook factors in a continued improvement in the company's cost structure, backed by the increasing share of competitively priced renewable power in the overall energy mix, resulting in lower power costs.

The company is a caustic soda manufacturer, wherein power is a major input for carrying out the electrolysis process and accounts for nearly 70% of the cost structure. The company meets its power requirements through a mix of grid power and renewable energy. It has been focusing on increasing the share of low-cost renewable power by setting up its own renewable energy projects and through group captive arrangements with renewable energy suppliers. In YTD FY2027, the company has integrated nearly 34.5 MWp of renewable capacity into its power procurement portfolio, comprising a 21-MWp solar power plant and a 13.5-MWp solar-wind hybrid-BESS project under a group captive arrangement. Hence, almost 40% of LCAL's power requirement is being met through renewable energy sources, which are more competitive vis-à-vis grid power. ICRA expects the lower power costs to lend more resilience to LCAL's profitability compared to the previous years.

The company is also undertaking a phase-II capex of Rs. 85-90 crore to expand the caustic soda capacity by 100 TPD and develop a flaker facility. The caustic soda expansion is expected to be commissioned during March-June 2027, while the flaker facility is likely to be operational within one to two months thereafter. The capital expenditure is partly debt funded and will result in a moderation of the credit metrics by the end of FY2027. However, the benefits from the increased scale, an improved product mix and lower power costs are expected to support the operating performance in FY2028, with the credit metrics projected to improve thereafter. ICRA will continue to monitor the timely commissioning and ramp-up of the projects and the movement in the debt protection metrics.

The rating continues to factor in the extensive experience of LCAL's management in the chlor-alkali industry. Further, the rating takes into account LCAL's locational advantage owing to its proximity to the end-user industries in northern India and its long-standing relationships with reputed customers.

LCAL's operating income increased by 44% to Rs. 390.14 crore in FY2026 from Rs. 270.22 crore in FY2025, while the operating margin improved to 16.3% from 8.9%. The company's financial performance remained healthy in H1 FY2027, with the operating income increasing by 12% to Rs. 221.75 crore and the OPBITDA rising by 6% to Rs. 41.32 crore. However, the operating margin declined to 18.6% from 19.7% in H1 FY2026, primarily owing to lower caustic soda realisations in Q2 FY2027 and higher raw material costs related to chlorinated paraffin wax (CPW), partly offset by higher sales volumes and savings in power costs. The company reported a net profit of Rs. 28.5 crore in FY2026 and Rs. 23.97 crore in H1 FY2027. With healthy product realisations, high capacity utilisation and an improved cost structure, LCAL's financial risk profile is expected to remain comfortable.

LCAL's profitability remains exposed to fluctuations in caustic soda realisations owing to the commoditised nature of the product and the inherent cyclicality of the chlor-alkali industry. The ECU realisations moderated to around Rs. 37,970/MT in Q2 FY2027 from Rs. 44,354/MT in Q1 FY2027, primarily due to a decline in caustic soda prices, although the improvement in chlorine realisations provided partial support. The profitability is also susceptible to the adverse movements in power tariffs, notwithstanding the increasing share of renewable power in the company's overall power mix.

The rating is further constrained by the company's modest scale of operations vis-à-vis other major industry players and the sizeable ongoing debt-funded capex programme, which could keep the leverage elevated over the medium term. Disposal of chlorine, a co-product generated during caustic soda production, remains a challenge for industry players. However, LCAL's downstream integration into CPW and hydrochloric acid manufacturing supports the internal consumption of chlorine and partly mitigates this risk.

The Positive outlook reflects ICRA's expectation that the increasing share of renewable power in the energy mix, together with the timely commissioning and stabilisation of the ongoing caustic soda expansion and flaker facility, will further strengthen LCAL's operating profile over the medium term. The company is expected to benefit from the lower power costs, higher operating scale, improved product mix and better chlorine integration, which are likely to support the profitability and debt protection metrics. Accordingly, a sustained improvement in earnings and a successful execution of the ongoing projects will remain the key monitorables, going forward.

Key rating drivers and their description

Credit strengths

Experienced and professional management - LCAL benefits from the extensive experience of its promoters and professional management in the chlor-alkali industry. The key promoter, Mr. Madhav Dhir, and his team have a long track record in the industry, while the company is managed by Mr. Ajay Virmani, who also has extensive sectoral experience. The management has established relationships with customers and suppliers.

Locational advantage supports healthy ECU realisation – LCAL benefits from its strategic presence in northern India, being one of the only three caustic soda manufacturers in the region. The company enjoys higher ECU realisations due to the limited caustic soda capacity in the northern market and the freight cost advantage over other manufacturers in the Gujarat market. Additionally, chlorine remains a major co-product of the caustic soda manufacturing process and is hazardous to store and transport. LCAL's manufacturing facility is favourably located to cater to the nearby industrial consumers of chlorine, thereby reducing the transportation costs and facilitating efficient offtake.

Further, the company has integrated downstream operations and consumes a sizeable portion of the chlorine generated in-house for manufacturing products such as sodium hypochlorite, chlorinated paraffin wax, hydrochloric acid and stable bleaching powder, thereby reducing its dependence on external chlorine offtake. As a result, LCAL's overall ECU realisations have been higher than the other caustic soda players present in the western markets.

Credit challenges

Vulnerability of profitability to fluctuations in caustic soda and chlorine prices, although higher renewable energy integration mitigates power cost volatility - The profitability of caustic soda manufacturers remains closely linked to ECU realisations, which are exposed to the cyclicality and fluctuations in demand-supply dynamics. Power remains a major cost component for the chlor-alkali industry, making the profitability susceptible to adverse movements in grid power tariffs. LCAL has reduced this exposure through captive and group captive renewable power arrangements, with renewable power accounting for around 40% of its total power consumption as of September 2026 compared with around 11% in FY2025. The 21-MW captive solar plant, which was commissioned after a delay, stabilised in H1 FY2027. Consequently, the blended power cost has moderated, supporting the cost structure. While the increasing share of renewable power provides a cushion against adverse power tariff movements, LCAL's profitability will continue to be exposed to the volatility in caustic soda and chlorine realisations.

Residual project risks and incremental debt to moderate credit metrics in the near term - LCAL's total debt increased to Rs. 173.92 crore as on March 31, 2026 from Rs. 132.18 crore as on March 31, 2025, largely owing to the borrowings availed for capacity expansion and renewable power projects. Notwithstanding the increase in debt, the total debt/OPBDITA improved to 2.73 times in FY2026 from 5.47 times in FY2025, supported by higher operating earnings, while the interest coverage and DSCR improved to 5.60 times and 4.22 times, respectively, from 4.20 times and 2.17 times. The company's phase-II capex of Rs. 85-90 crore towards the 100-TPD caustic soda expansion project and the flaker facility is being funded through a mix of debt and internal accruals. While the ongoing capex and the associated borrowings may keep the leverage elevated over the near to medium term, the benefits from an increased operating scale, improved product mix and lower power costs are expected to support the operating earnings and keep the coverage metrics comfortable. A timely commissioning and ramp-up of the projects and the generation of commensurate cash accruals will remain the key monitorables.

Small scale of operations vis-à-vis industry players - LCAL remains a relatively small player compared with the larger industry incumbents, notwithstanding the increase in its caustic soda capacity to 300 TPD and the improvement in its operating scale in FY2026. The company's 100-TPD caustic soda expansion and a corresponding decommissioning of an existing 40-TPD unit will result in a net capacity addition of around 60 TPD and increase the installed capacity to 360 TPD. Further, the CPW capacity is proposed to be increased to 100 TPD from 50 TPD. Nevertheless, the relatively modest scale of operations limits LCAL's operating flexibility and resilience during cyclical downturns.

Environmental and social risks

Chlorine is a co-product in the caustic soda manufacturing process, and its handling and disposal remain key concerns for the industry owing to the hazardous nature of the chemical. LCAL is exposed to the risk of tightening environmental and safety regulations, which could increase its operating costs or entail additional capital expenditure towards mitigation and treatment measures.

As per the disclosures made by LCAL in its FY2026 annual report, the company remained compliant with the applicable environmental regulations. Further, the company has increased the share of renewable power in its overall power consumption to around 40% as of September 2026 from around 11% in FY2025, thereby reducing its dependence on coal-based grid power. LCAL also consumes chlorine in downstream products such as CPW, hydrochloric acid, sodium hypochlorite and stable bleaching powder, which reduces its dependence on external chlorine disposal.

Liquidity position: Adequate

LCAL's liquidity remains adequate, supported by healthy cash generation, free cash and liquid investments of Rs. 21.8 crore as on March 31, 2026 and a comfortable cushion in its fund-based working capital limits. The company generated net cash accruals of Rs. 53.69 crore in FY2026, which remain comfortable against scheduled debt repayments of around Rs. 14.1 crore in FY2027. Further, the average utilisation of the Rs. 60.0 crore fund-based working capital limits stood at around 55% for the

12 months ended June 2026, providing adequate cushion in the limits. While the company is undertaking a phase II capex of Rs. 85-90 crore towards caustic soda expansion and the flaker facility, the existing cash balances, expected accruals, sanctioned project loans and available cushion in the working capital limits are expected to support its funding and debt servicing requirements.

Rating sensitivities

Positive factors – The rating may be upgraded if the company is able to sustain its revenue and earnings at healthy levels while maintaining adequate liquidity and credit metrics.

Negative factors – The outlook may be revised to Stable and/or the rating may be downgraded in case of a sustained moderation in its revenue and earnings, resulting in a weakening of its credit metrics and/or liquidity profile. A sizeable debt-funded capex/investment moderating the credit metrics and/or liquidity position may also result in a downgrade. A specific credit metric for downgrade would be the gross debt/OPBDITA remaining above 3.0x on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not applicable
Consolidation/Standalone	To arrive at the ratings, ICRA has considered the standalone financials of LCAL

About the company

Lords Chloro Alkali Limited (LCAL), incorporated in 1979, manufactures chlor-alkali and allied products at its manufacturing facility in Alwar, Rajasthan. The company has an installed caustic soda capacity of 300 tonnes per day (TPD) and a chlorinated paraffin wax (CPW) capacity of 50 TPD. Its product portfolio also includes caustic soda lye, liquid chlorine, hydrochloric acid, hydrogen gas, sodium hypochlorite and stable bleaching powder, which find application across the paper, soaps and detergents, textiles, dyes, plastics and vegetable oil industries. The company uses zero-gap electrolyser technology for manufacturing caustic soda and has increased the share of renewable power in its overall power consumption to reduce power costs.

The company is undertaking a 100-TPD caustic soda capacity expansion while retiring an existing 40-TPD unit, resulting in a net capacity addition of around 60 TPD and an increase in the installed caustic soda lye capacity to 360 TPD. The expanded capacity is expected to be commissioned by June 2027. LCAL is also setting up a 100-TPD flaker facility to convert caustic soda lye into flakes, without increasing the underlying caustic soda manufacturing capacity. The flaker facility is expected to be commissioned in H1 FY2027. Further, the company is increasing its CPW capacity to 100 TPD from 50 TPD, with the project expected to be completed by March 2028. The 21-MW captive solar plant commenced operations in FY2027.

Key financial indicators (Audited)

Lords Chloro Alkali Limited	FY2025	FY2026	H1 FY2027
Operating income	270.22	390.14	221.75
PAT	6.2	28.5	24.0
OPBDIT/OI	8.9%	16.3%	18.6%
PAT/OI	2.3%	7.3%	10.8%
Total outside liabilities/Tangible net worth (times)	1.07	0.97	0.99
Total debt/OPBDITA (times)	5.47	2.73	2.22

Interest coverage (times)	4.20	5.60	8.00

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

CRA	Status	Date of Release
Brickwork	BWR B (Stable)/BWR A4; continues to be in ISSUER NOT COOPERATING category; long-term/short-term rating reaffirmed	June 08, 2026

Any other information: None

Rating history for past three years

	Current (FY2027)			Chronology of rating history for the past 3 years					
	FY2027			FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	Nov 27, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based – Cash credit	Long term	35.00	[ICRA]BBB+ (Positive)	Aug 26, 2025	[ICRA]BBB+ (Stable)	Nov 19, 2024	[ICRA]BBB+ (Negative)	Mar 01, 2024	[ICRA]BBB+ (Negative)
								Jul 11, 2023	[ICRA]BBB+ (Stable)
Fund based – Term loan	Long term	90.00	[ICRA]BBB+ (Positive)	Aug 26, 2025	[ICRA]BBB+ (Stable)	Nov 19, 2024	[ICRA]BBB+ (Negative)	Mar 01, 2024	[ICRA]BBB+ (Negative)
								Jul 11, 2023	[ICRA]BBB+ (Stable)
Unallocated	Long term	1.90	[ICRA]BBB+ (Positive)	Aug 26, 2025	[ICRA]BBB+ (Stable)	Nov 19, 2024	[ICRA]BBB+ (Negative)	Mar 01, 2024	[ICRA]BBB+ (Negative)
								Jul 11, 2023	[ICRA]BBB+ (Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund based – Cash Credit	Simple
Long term fund based – Term loans	Simple
Long term- Unallocated	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	**Cash credit**	NA	NA	NA	35.00	[ICRA]BBB+(Positive)
NA	**Fund based term loans**	Aug 2023	NA	FY2032	90.00	[ICRA]BBB+(Positive)
NA	**Unallocated**	NA	NA	NA	1.90	[ICRA]BBB+(Positive)

Source: Company

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Please click here to view details of lender-wise facilities rated by ICRA

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

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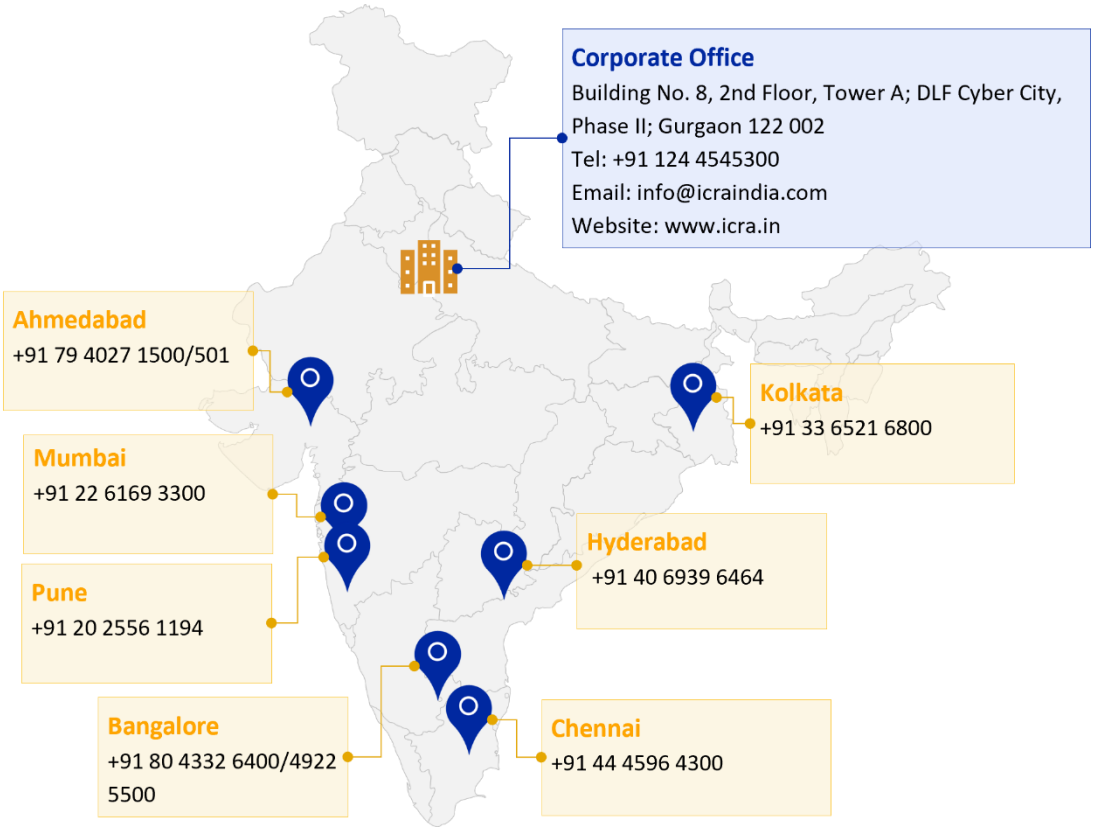
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