

**September 10, 2024**

**National Stock Exchange of India Limited**  
"Exchange Plaza"  
Bandra – Kurla Complex,  
Bandra (E), Mumbai – 400 051  
**NSE Code: GHCL**

**BSE Limited**  
Corporate Relationship Department,  
1<sup>st</sup> Floor, New Trading Ring, Rotunda Building, P.J.  
Towers,  
Dalal Street, Fort, Mumbai – 400 001  
**BSE Code: 500171**

**Dear Sir / Madam,**

**Subject: Intimation for withdrawal of CRISIL Ratings at the Company's request**

We would like to inform that at the Company's request, CRISIL Ratings has withdrawn the ratings assigned for issuance of Non-Convertible Debentures (NCD) of Rs. 150 Crores.

The Company had voluntarily requested for such withdrawal since the Company has not raised NCD for last 3 years and in view of present financials and cash flow position of the Company, there will not be requirement to raise NCD.

Copy of the press release issued by India Ratings & Research is enclosed herewith for your reference & record.

You are requested to kindly take note of the same and disseminate the information on your website.

Thanking you

Yours faithfully

**For GHCL Limited**



**Bhwneshwar Mishra**  
**VP- Sustainability & Company Secretary**  
Membership No.: FCS 5330

## Rating Rationale

September 09, 2024 | Mumbai

### GHCL Limited

*Rating outlook revised to 'Stable'; Rating Reaffirmed and Withdrawn*

#### Rating Action

**Rs.150 Crore Non Convertible Debentures<sup>&</sup>**

**CRISIL AA-/Stable (Outlook revised from 'Positive';  
Rating Reaffirmed and Withdrawn)**

*& Proposed*

*Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.*

*1 crore = 10 million*

*Refer to Annexure for Details of Instruments & Bank Facilities*

#### Detailed Rationale

CRISIL Ratings has revised its outlook on the non-convertible debentures (NCDs) of GHCL Ltd (GHCL) to '**Stable**' from '**Positive**' while reaffirming the rating at '**CRISIL AA-**'. CRISIL Ratings has subsequently **withdrawn** the rating at the company's request and upon receipt of requisite documents. The withdrawal is in line with the CRISIL Ratings policy of withdrawal of ratings.

The revision in outlook reflects the expectation of sustained pressure on soda ash realisations going forward, which could adversely impact the profitability and cash accruals of the company, as was also witnessed in fiscal 2024. Further, the company remains exposed to project risk associated with the large greenfield expansion planned to increase soda ash capacity by 5 lakh tonne to 17 lakh tonne. CRISIL Ratings notes that there have been delays in getting requisite regulatory approvals for the project, pushing back the growth plans of the company.

The rating continues to factor in the healthy business risk profile of the company backed by its established market position in the domestic soda ash industry and strong operating efficiency, as reflected in healthy profit margin. The rating also factors in the strong financial risk profile, as indicated by healthy capital structure and debt protection metrics, aided by successful demerger of the textile business. These strengths are partially offset by vulnerability to price fluctuation of soda ash and volatility in key raw material prices.

#### Analytical Approach

CRISIL Ratings has considered the consolidated business and financial risk profiles of GHCL.

*Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.*

#### Key Rating Drivers & Detailed Description

##### **Strengths:**

- **Healthy business risk profile:** GHCL is the second-largest domestic soda ash manufacturer in an oligopolistic market, wherein the top three players account for over 85% of total domestic production capacity, resulting in an established market position. Its soda ash capacity increased to 12 lakh MT from 11 lakh tonne in fiscal 2023, while sodium bicarbonate capacity rose to 1.2 lakh tonne from 0.73 lakh tonne. GHCL procures a sizeable portion of its key raw materials, such as salt (25%), limestone (35%) and lignite through captive sources, resulting in better control over input cost, thus supporting stable and healthy profitability. The company has healthy relationships with leading detergent and glass manufacturers in the domestic market.
- **Strong financial risk profile:** For the past five years, free cash flow from operations has largely been utilised towards debt reduction, resulting in strong financial risk profile. This is reflected in debt to Ebitda ratio of 0.2 time as on March 31, 2024, interest coverage ratio of around 34 times in fiscal 2024, and the company being net cash positive. The company demerged the textile division to GHCL Textiles Ltd, recognising gain of Rs 219 crore on the transaction, which further benefited the financial risk profile. The financial risk profile should remain strong in the near term. The debt to Ebitda ratio, however, may moderate over the medium term owing to the planned greenfield expansion, which is likely to be partly funded through debt.

To maintain market share in the domestic soda ash industry, GHCL is undertaking a large greenfield project to add 5 lakh tonne of soda ash capacity at a new location in Kutch, Gujarat, with estimated outlay of nearly Rs 4,500 crore. The

company is in the process of obtaining regulatory approvals. As per the management, the entire process of pre-clearance is expected to be completed in fiscal 2025 (vs expectation of completion in fiscal 2024 earlier). Further, the management has articulated that the debt to equity ratio would not exceed 1 time at the company level during the project implementation phase. Higher-than-expected increase in project cost or leverage will be a key rating sensitivity factor.

#### **Weakness:**

- **Vulnerability of the soda ash business to price fluctuations and volatility in key raw materials prices.:** Soda ash prices are linked to the global market and thus remain susceptible to volatility in international prices, driven by capacity addition, currency fluctuations and competition from imports. While improved operating efficiency from large scale of operations offsets the impact of price fluctuations, the business will remain exposed to price volatility.

#### **Liquidity: Strong**

Liquidity is supported by cash and equivalent of over Rs 880 crore as on June 30, 2024. Cash accrual is projected at Rs 500 crore in fiscal 2025 against yearly debt obligation of Rs 81 crore. Fund-based working capital limit of Rs 450 crore was sparsely utilised for the 12 months through June 2024. Excess accrual, cash and equivalent and undrawn bank limit will comfortably cover the working capital requirement and capital expenditure (capex) over the next two fiscals.

#### **ESG profile**

Chemical manufacturers can have a significant impact on the environment owing to high water consumption, waste generation and greenhouse gas emissions. The social impact of the sector is characterised by health hazards, leading to higher focus on employee safety and wellbeing and the impact on local community, given the nature of its operations. GHCL has consistently focused on mitigating its environmental and social risks.

#### **Key ESG highlights:**

- GHCL has been increasing its renewable energy portfolio using a combination of wind and solar power to provide a portion of energy needs while lowering carbon emissions
- The company has implemented effective wastewater treatment systems at all manufacturing locations and is collaborating with an external party to collect and safely dispose plastic waste
- It has demonstrated commitment to promote gender diversity to increase women participation in the organisation to 5% from 3.5%
- All suppliers and vendors of GHCL are required to sign the Supplier Code of Conduct and around 6.5% of its value chain partners had been assessed for environmental impacts as on March 31, 2024
- As on March 31, 2024, 50% of its board comprised independent directors, separate chairperson and CEO positions and dedicated investor grievance redressal system.

There is growing importance of ESG among investors and lenders. The commitment of GHCL to ESG will play a key role in enhancing stakeholder confidence, given high access to domestic capital markets.

#### **Outlook: Stable**

CRISIL Ratings believes the credit risk profile of GHCL will sustain over the medium term driven by healthy market position and strong financial risk profile.

#### **Rating sensitivity factors**

##### **Upward factors:**

- Sustained improvement in operating performance resulting in healthy return on capital employed
- Net debt to Ebitda ratio sustaining below 2.0 times even upon factoring in cash outflow towards capex plans and dividend/share buy-back

##### **Downward factors:**

- Significant decline in profitability leading to lower-than-expected cash accrual
- Large, debt-funded capex weakening the debt protection metrics; with debt to Ebitda ratio increasing to more than 2.5 times on a sustained basis
- Significant time and/or cost overrun in the greenfield soda ash project

#### **About the Company**

Incorporated in October 1983, GHCL is a diversified player with presence in chemicals, textile and consumer products segments. The company manufactures soda ash (anhydrous sodium carbonate) and sodium bicarbonate (baking soda). Its unit in Sutrapada, Gujarat, had installed capacity of 12 lakh tonne per annum as on June 30, 2024.

In the consumer products division, GHCL manufactures and sells edible salt and industrial grade salt under the brand name i-FLO and Sapan. The company has its salt manufacturing facility in Nagapattinam, Tamil Nadu, and a refinery in Chennai for producing edible salt. The textile business of GHCL was successfully demerged to GHCL Textile Ltd in April 2023.

#### **Key financial indicators (CRISIL Ratings-adjusted)**

Particulars	Unit	2024	2023
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<b>Revenue</b>	<b>Rs crore</b>	<b>3,448</b>	<b>4,562</b>
<b>PAT*</b>	<b>Rs crore</b>	<b>794</b>	<b>1,142</b>
<b>PAT margin</b>	<b>%</b>	<b>23.0</b>	<b>25.0</b>
<b>Adjusted debt / adjusted network</b>	<b>Times</b>	<b>0.07</b>	<b>0.09</b>
<b>Interest coverage</b>	<b>Times</b>	<b>33.65</b>	<b>39.65</b>

\*Includes profit from discontinued operations

**Any other information:** Not Applicable

**Note on complexity levels of the rated instrument:**

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit [www.crisilratings.com](http://www.crisilratings.com). Users may also call the Customer Service Helpdesk with queries on specific instruments.

**Annexure - Details of Instrument(s)**

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs.Crore)	Complexity Level	Rating assigned with outlook
NA	Non Convertible Debentures <sup>#</sup>	NA	NA	NA	150	Simple	CRISIL AA-/Stable (Outlook Revised, Rating Reaffirmed and Withdrawn)

<sup>#</sup>Yet to be issued

**Annexure – List of entities consolidated**

Name of entity consolidated	Extent of consolidation	Rationale for consolidation
Dan River Properties LLC	Full	Subsidiary

**Annexure - Rating History for last 3 Years**

Instrument	Current			2024 (History)		2023		2022		2021		Start of 2021
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
<b>Non Convertible Debentures</b>	LT	150.0	CRISIL AA-/Stable (Outlook Revised, Rating Reaffirmed and Withdrawn)	--	--	12-09-23	CRISIL AA-/Positive	03-10-22	CRISIL AA-/Stable	04-10-21	CRISIL AA-/Stable	--

All amounts are in Rs.Cr.

**Criteria Details**

<b>Links to related criteria</b>
<a href="#">CRISILs Approach to Financial Ratios</a>
<a href="#">Rating criteria for manufacturing and service sector companies</a>
<a href="#">Rating Criteria for Chemical Industry</a>
<a href="#">CRISILs Criteria for Consolidation</a>

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