

July 30, 2025

Birla Carbon India Private Limited: Ratings reaffirmed for bank facilities; CP rating reaffirmed and withdrawn

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term/Short term, fund based/non-fund based facilities	800.00	800.00	[ICRA]AA (Stable)/[ICRA]A1+; reaffirmed
Commercial paper programme	100.00	0.00	[ICRA]A1+; reaffirmed and withdrawn
Total	900.00	800.00	

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation factors in Birla Carbon India Private Limited's (BCIPL) position as one of the leading players in the domestic carbon black industry. It has a strong parentage as it is a part of the Aditya Birla Group, a leading player in the global carbon black business, and benefits from the associated financial flexibility and the Group's technical know-how and scale of operations.

The ratings factor in BCIPL's healthy credit profile, marked by negligible debt levels and comfortable cash flow generation at a standalone level. However, its 100% subsidiary is undertaking a debt-funded capex, which will impact the leverage and coverage metrics of BCIPL at the consolidated level, especially for FY2026 and FY2027, post which these financial metrics are expected to improve. BCIPL's turnover largely stagnated in FY2025 with the volumes peaking, given the almost full capacity utilisation. Further, BCIPL's profitability was impacted in FY2025 owing to a large influx of Russian carbon black in India following the European Union's ban on imports from Russia. While this presented an opportunity for the Indian carbon black exporters, the domestic market witnessed pressure on the realisations and, thus, the margins. The margins are expected to remain at similar levels in FY2026 as well.

ICRA also notes that the company is in the process of undertaking a debt-funded capex of around Rs. 1,250 crore under its 100% subsidiary – Birla Carbon AP Private Limited. A part of the funding will be met by equity contribution from the cash flows of existing operations and the available liquidity at BCIPL, while the balance will be debt funded. Thus, during the capex implementation period, the credit profile of BCIPL (consolidated) is likely to moderate with the addition of debt.

ICRA notes that BCIPL has extended a sizeable proportion of funds to its Group companies in the form of inter-corporate deposits (ICDs), which had resulted in reliance on external debt in the past, although the company receives interest on these on a quarterly basis. Moreover, ICRA notes that there has been a minor increase in ICDs to Rs. 1,676.5 crore as on March 31, 2025, from Rs. 1,651 as on March 31, 2024. Also, the company invested ~Rs. 124 crore in Royal Carbon Black Pvt. Ltd. to acquire a 26% stake to enter the recycled carbon black segment. However, BCIPL's liquidity position and debt coverage indicators have remained comfortable amid a healthy cash generation from the business. While the cash levels were low at year-end owing to the payment to the suppliers during this time, they stood at around Rs. 180 crore, which along with the unutilised bank limits indicate a comfortable liquidity position.

The ratings are tempered by high customer concentration risk with the top five customers accounting for ~68% of its FY2025 revenues along with the high end-user industry concentration. However, the strong credit profile of its customers reduces the counterparty credit risk. The ratings also consider the inherent cyclicity of the business and the exposure of the company's margin to the adverse movement in raw material prices.

The Stable outlook on the long-term rating factors in ICRA's expectation of continuation of a healthy cash generation for BCIPL, driven by its prominent position in the Indian carbon black industry. While the debt levels are expected to increase as the company embarks upon a greenfield capex, the overall credit profile is likely to remain comfortable.

ICRA has withdrawn the rating on the commercial paper programme of BCIPL at the request of the company as there is no amount outstanding against the rated instrument. This is in line with ICRA's policy on the withdrawal of ratings.

Key rating drivers and their description

Credit strengths

Leading position in domestic carbon black industry – BCIPL enjoys a leadership position in the domestic carbon black industry with a production capacity of 3,82,200 metric tonnes per annum (MTPA) and sales of 3,47,582 MT in FY2025. It has a healthy market share of ~30% in the domestic carbon black industry.

Financial flexibility as a part of Aditya Birla Group – BCIPL benefits from its strong parentage, being a part of the Aditya Birla Group, which imparts strong financial flexibility. The Group's total annual production capacity of carbon black is over 2.0 million MTPA. Birla Carbon, the Group's carbon black business, is one of the largest global players in this space. The Group derives synergies by marketing under the Birla Carbon brand, and by central procurement of the feedstock. Further, BCIPL benefits from the Group's technical know-how, its scale of operations and the geographically diversified carbon black operations. BCIPL leverages the Group's technologies for using alternative sources of raw materials, depending on the cost economics.

Favourable demand prospects for end-consumer tyre industry – The company derives 90-95% of its revenues from the automobile industry as carbon black is a critical raw material for tyres. The domestic demand for carbon black is expected to remain healthy; the demand growth is seen in the range of 5-7% owing to the growing OEM and replacement demand.

Industry-leading clientele – The company derives ~68% of its revenues from its top five customers - MRF, Apollo, JK Tyres, Ceat and Bridgestone. Though the company's customer concentration remains high as majority of the revenue is derived from the three entities, the dominant market share of the customers reduces the concentration risk.

Credit challenges

Significantly high loans and advances/ICDs to Group companies – BCIPL has supported other Birla Group companies by extending ICDs and advances, which impacted its debt profile adversely in FY2020. Since then, the amount outstanding has come down. However, the advances increased marginally to Rs. 1,676.5 crore as on March 31, 2025, from Rs. 1,651 as on March 31, 2024. These ICDs generate interest income for the company. Moreover, given the healthy cash generation, this increase in ICDs has not impacted the liquidity position of the company.

Large capital expenditure may exert pressure on cash flows and moderate its financial risk profile – BCIPL is undertaking a large capital expenditure plan under its 100% subsidiary to expand its capacities. The new capex is likely to add around 120-KT capacity and is expected to entail a total outlay of around Rs. 1,250 crore. The capex is proposed to be funded partly by BCIPL's equity/advances and the balance by external debt. While project-related risks are there, comfort can be drawn from the long-standing presence of the Group in the market and its healthy relationships with the end customers.

Susceptible to cyclical in domestic automobile industry – BCIPL's revenue growth and profit margins remain susceptible to the cyclical in its key end-user sector, the domestic automobile industry. However, the sale of surplus power generated as a by-product of the manufacturing process provides some cushion against the inherent cyclical in the carbon black business.

High end-industry and client concentration – BCIPL derives ~90% of its revenues from the automobile industry by supplying carbon black for tyres and other parts, thus exposing its operations to concentration risk. Moreover, its top five clients accounted for around 68% of its revenues in FY2025, which points to high customer concentration as well. Nevertheless, the concentration risk is mitigated to some extent, given the reputed customers and BCIPL's healthy relationship with them.

Liquidity position: Adequate

Despite the significant loans and advances/ICDs given to Group companies (Rs. 1,676.5 crore as on March 31, 2025), BCIPL's liquidity position is comfortable as it has been generating robust free cash flows amid moderate working capital and capex requirements. The company has no major annual long-term debt repayment obligation as on date. Further, BCIPL's liquidity is supported by the largely unutilised fund-based limits. Moreover, it enjoys strong financial flexibility as a part of the Aditya Birla Group. While the cash balances were minimal as on March 31, 2025, they increased to around Rs. 180 crore as on date.

Rating sensitivities

Positive factors – ICRA could upgrade BCIPL's ratings if it is able to demonstrate a healthy growth in its scale of operations along with sustaining a robust cash flow generation and low debt levels, translating into healthy credit metrics.

Negative factors – The ratings can be downgraded if sizeable advances to Group companies and/or sizeable dividend payouts impact the company's liquidity position or result in reliance on external debt. Further, the ratings can be under pressure if there is a significant decline in margins, or if a higher-than-anticipated debt-funded capex impacts the coverage indicators, translating into a total debt/OPBDITA of more than 1.2 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Rating Methodology-Chemicals Policy on Withdrawal of Credit Ratings
Parent/Group support	Not applicable
Consolidation/Standalone	ICRA has taken a consolidated view of BCIPL and BCAPPL, given their common management and business and the fact that the new entity has been created to avail some fiscal benefits only and this is more of an extended arm of BCIPL

About the company

BCIPL, an Aditya Birla Group Company, is a wholly owned subsidiary of SKI Carbon Black (Mauritius) Limited, which is a wholly-owned subsidiary of SKI Investments Pte Limited. With effect from April 01, 2013, SKI Carbon Black (India) Private Limited (now BCIPL) acquired the carbon black business (hi-tech carbon) of Aditya Birla Nuvo Limited (ABNL), on a going-concern basis, by way of a slump sale for a lumpsum consideration of Rs. 1,451 crore as enterprise value. SKI Carbon has also acquired the co-generation power plants with a capacity to generate 73.7 MW units per annum.

The hi-tech carbon business started its operations in 1988 from Renukoot (Uttar Pradesh). In 1998, it opened its second plant at Gummidipoondi (Tamil Nadu) and commissioned its third plant at Patalganaga in Maharashtra in 2010. The company's research and development centre is at Taloja (Maharashtra), and it has its registered office in Mumbai, marketing office in Delhi and regional office in Chennai, along with stocking points in several states.

Key financial indicators (audited)

BCIPL (consolidated)	FY2024	FY2025
Operating income	4269.1	4329.8
PAT	446.4	341.6
OPBDIT/OI	13.9%	10.4%
PAT/OI	10.5%	7.9%
Total outside liabilities/Tangible net worth (times)	0.4	0.3
Total debt/OPBDIT (times)	0.0	0.2
Interest coverage (times)	103.7	26.2

Source: Company, ICRA Research; PAT: Profit after tax; OPBDITA: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current Rating (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	July 30, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Long term/Short term – Others - Fund based/Non-fund based	Long term/Short term	800.00	[ICRA]AA (Stable)/[ICRA]A1+	July 31, 2024	[ICRA]AA (Stable)/[ICRA]A1+	July 28, 2023	[ICRA]AA (Stable)/[ICRA]A1+	July 29, 2022	[ICRA]AA (Stable)/[ICRA]A1+
				-	-	July 28, 2023	[ICRA]AA (Stable)	July 29, 2022	[ICRA]AA (Stable)
				-	-	-	-	Nov 25, 2022	[ICRA]AA (Stable)
Commercial paper	Short term	0.00	[ICRA]A1+; withdrawn	July 31, 2024	[ICRA]A1+	July 28, 2023	[ICRA]A1+	July 29, 2022	[ICRA]A1+
				-	-	-	-	Nov 25, 2022	[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity indicator
Short term and long term fund based/non-fund based facilities	Very simple
Commercial paper programme	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
NA	Long term/Short term, fund based/Non-fund based facilities	NA	NA	NA	800.00	[ICRA]AA(Stable)/[ICRA]A1+
Yet to be placed	Commercial paper programme	NA	NA	7-365 days	100.00	[ICRA]A1+; reaffirmed and withdrawn

Source: Company

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

Annexure II: List of entities considered for consolidated analysis

Company name	Ownership	Consolidation approach
Birla Carbon AP Private Limited	100.00%	Full

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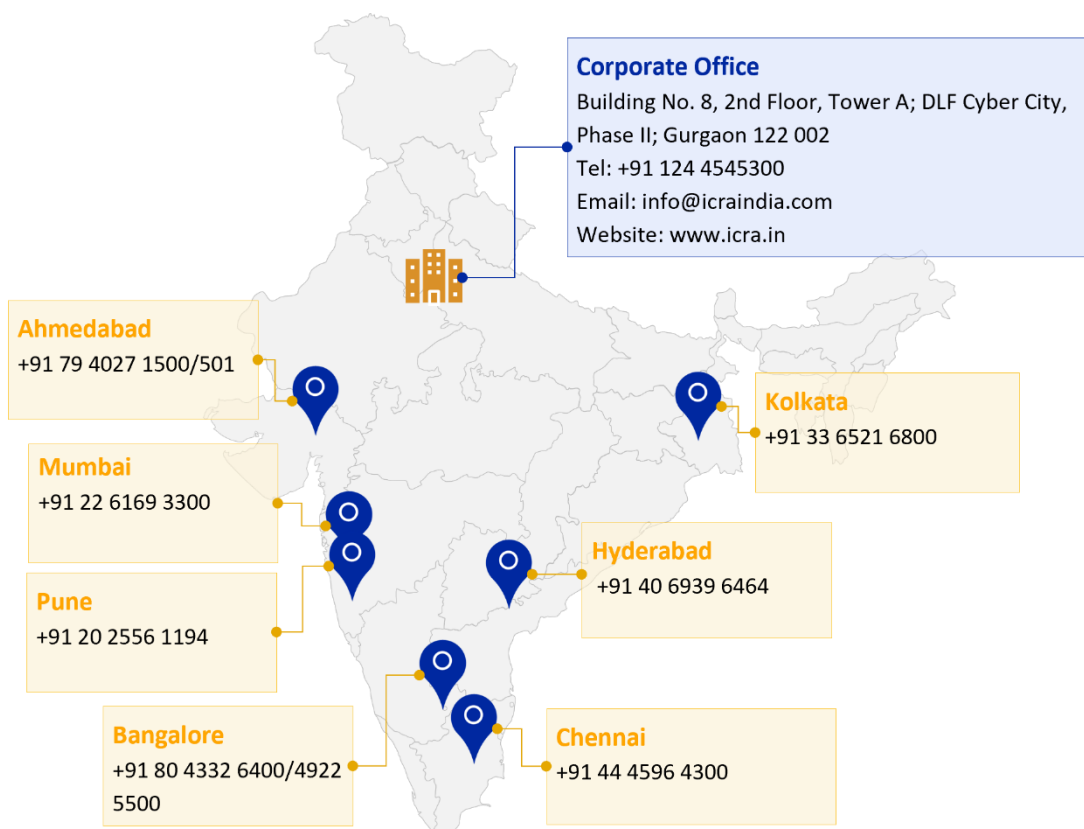
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