July 31, 2025

Himadri Speciality Chemical Limited: Ratings reaffirmed; outlook revised to Positive

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term fund based – Term loan	25.00	-	-
Long term/Short term – Fund based/Non-fund based	1,780.00	1,780.00	[ICRA]AA-(Positive)/[ICRA]A1+; reaffirmed and outlook revised to Positive from Stable
Long term/Short term - Unallocated limits	10.86	35.86	[ICRA]AA-(Positive)/[ICRA]A1+; reaffirmed and outlook revised to Positive from Stable
Short term - Commercial paper#	300.00	300.00	[ICRA]A1+; reaffirmed
Total	**2,115.86**	**2,115.86**	

**Instrument details are provided in Annexure I; # Unlisted*

Rationale

The change in the rating outlook to Positive factors in a significant improvement in Himadri Speciality Chemical Limited's (HSCL) operating profit in FY2025 compared to FY2024, driven by higher EBITDA/MT and expectations of the trend sustaining, going forward. The improvement in the operating profit in FY2025 supported the financial risk profile, reflected in the improved debt coverage metrics and healthy cash and bank balances. The outlook revision also favourably factors in the increasing share of specialty carbon black (SB) in the company's sales, which is likely to support the EBITDA/MT, going forward.

The ratings continue to factor in the company's long track record, its large scale and the backward-integrated nature of its manufacturing operations. Further, HSCL has a strong market position in the domestic coal tar pitch (CTP) and carbon black (CB) businesses with established relationships with customers and suppliers. The ratings also favourably factor in the company's diversified products, which find usage in the aluminium, graphite, tyres, mechanical rubber goods, plastics, dyes and other chemical-related product manufacturing industries. HSCL infused Rs. 507-crore equity in FY2024 and FY2023 with conversion of warrants into equity shares. An additional ~Rs. 250-crore equity is expected be infused in FY2026 with the conversion of warrants into equity shares.

ICRA notes that the company's 5-lakh-metric-tonne-per-annum (MTPA) coal tar distillation capacity is the largest in India that produces CTP of various grades and naphthalene for further processing into sulphonated naphthalene formaldehyde (SNF) and is integrated with CB manufacturing lines and a 28-MW power plant. The company's capital structure is comfortable and is likely to remain so with expected strong cash accruals and allotment of share warrants.

The ratings, however, remain constrained by the cyclicality in the company's end-user industries viz. aluminium and graphite electrode manufacturing, and the foreign exchange fluctuation risk. ICRA notes that the financial position of HSCL's overseas subsidiaries is weak, which resulted in the company writing off a sizeable investment in these subsidiaries in FY2020. Further, HSCL has capex plans to address a part of the global demand for critical raw material required for lithium-ion batteries. The capex is likely to be funded through internal accruals and cash reserves. The company is exposed to project execution risk, including the risks of delays and cost overruns. The company's ability to commission the project within the budgeted cost and estimated timeframe, stabilise the facilities and ramp up sales within a short gestation period, post commissioning, would remain important for the success of its capital expenditure programme.

Further, the ability of HSCL to ramp up sales of the recently commissioned Birla Tyres to achieve profitable operations remains crucial for maintaining overall profitability at a consolidated level of HSCL. It is also exposed to the inherent risks in the tyre manufacturing business, including stiff competition. Accordingly, the company's ability to achieve the operational profitability of the tyre business will also be a key monitorable.

Key rating drivers and their description

Credit strengths

Large scale of integrated operations – HSCL's scale of operation is large and integrated, starting from coal tar distillation to the manufacturing various carbon-based products and power generation. The company achieved a total sales volume of 5,52,206 MT in FY2025, up from 4,75,582 MT in FY2024. The sale of speciality oil supported the growth in sales volume in FY2025.

Dominant status as operator of the largest coal tar distillation capacity in India – HSCL operates the largest coal tar distillation plant in India. It enjoys a competitive advantage due to its large scale of operations compared to the other entities in the business.

Strong market position in domestic coal tar pitch and carbon black businesses – The company has a strong market position in the domestic CTP and CB businesses, bolstered by established relationships with customers as well as suppliers. Further, it has a proven track record of over two decades in CTP manufacturing and more than a decade in CB manufacturing.

Improved financial risk profile with comfortable capital structure – A sustained growth in operating profits in the last three years driven by higher EBITDA/MT and equity infusion, has supported the company's financial risk profile, leading to improved debt coverage metrics. The capital structure is comfortable, indicated by a gearing of 0.1 times and TOL/TNW of 0.2 times as on March 31, 2025.

Credit challenges

Volatility in profit margins; exposed to project-related risks – The company's profit margins were volatile in the previous years, as observed in FY2021 and FY2022, as the reduced spreads between raw material costs and end-product realisations kept the operating margins muted. As a result, the profitability and debt protection metrics were subdued. However, an improved EBITDA/MT enhanced the operating profit in FY2025, FY2024 and FY2023.

HSCL, along with Dalmia Bharat Refractories Limited (DBRL), acquired Birla Tyres Limited (BTL) in October 2023, under the corporate insolvency resolution process. The BTL plant had been shut for over three years and reported operating losses for several years prior to the shutdown. HSCL commenced the operations at BTL on May 29,2025. The ability of HSCL to ramp up BTL's sales to make the operations profitable remains crucial for maintaining overall profitability at a consolidated level of HSCL. Further, it is exposed to the inherent risks in the tyre manufacturing business, including stiff competition. Accordingly, the company's ability to achieve the operational profitability of the tyre business will be a key monitorable.

Further, HSCL is undertaking a capex of ~Rs. 1,100 crore over the next two years under phase 1 to establish a manufacturing capacity of critical raw materials (40,000 MTPA) required for lithium-ion batteries. The capex is to be funded through internal accruals and cash reserves. As the company is undertaking a large capex in a sunrise sector, its ability to commission the project within the budgeted costs and estimated timeline, stabilise the operations and ramp up sales within a short gestation period, post commissioning, would remain a key monitorable. HSCL is also undertaking a Rs. 220-crore capex to increase its speciality CB capacity to 1,30,000 MTPA by Q3 FY2026 from the existing 60,000 MTPA. Further, HSCL is undertaking a Rs.120 crore capex towards high value-added speciality products manufactured from existing coal tar distillates by Q2 FY2027. Consequently, the company is exposed to project execution risk, including the risks of delays and cost overruns.

Exposed to business cycles – More than 45% of HSCL's sales volume is derived from the cyclical aluminium and graphite electrode industries, exposing its cash flows to business cycles and resulting in variable return indicators. Nonetheless, the risk is mitigated to an extent as CTP is a key consumable for the end-user industries Further, the acquisition of BTL exposes the company to inherent risks in the tyre manufacturing business, including stiff competition.

Exposed to foreign exchange fluctuation risk – The major raw material for CTP manufacturing is coal tar. For manufacturing CB, HSCL uses a mix of CBFS and carbon black oil (CBO). CBFS is a crude oil derivative and is mainly imported, exposing HSCL to forex risk. The risk is mitigated to a certain extent by the company's hedging policy and the natural hedge derived from exports to a certain extent. However, HSCL continues to be a net importer.

Environmental and social risks

The safety and environmental health-related concerns associated with chemicals expose the industry to the risk of tightening regulatory norms for the production, handling, disposal and transportation of chemical products. Further, in the event of accidents, the litigation risks and liabilities for a clean-up could be high. While HSCL has a demonstrated track record of running its operations safely, the nature of the risk (being low frequency-high impact) weighs on its rating.

Further, operating responsibly is an imperative and instances of non-compliance with the environmental, health and safety norms could have an adverse impact on the local community which could manifest in the form of protests, constraining the ability to operate or expand capacity. HSCL hasn't experienced/reported any incident suggestive of safety lapses in its manufacturing facilities over the past several years and its ability to maintain the manufacturing controls would be a monitorable.

Liquidity position: Adequate

HSCL's liquidity is adequate with sufficient buffer in the working capital limits and likely positive cash flow from operations, going forward. The average utilisation of its fund-based working capital limits against the drawing power in the last 15 months ended June 2025 is 50%. Further, the company has an additional undrawn working capital facility against an FD of ~Rs. 500 crore. The company has an annual long-term repayment obligation of ~Rs. 0.74 crore in FY2026 and Rs. 1.36 crore in FY2026, which can be comfortably met through internal accruals. The company has plans for capex/investments over the next few years which are likely to be funded from a mix of internal accruals, cash reserves and debt.

Rating sensitivities

Positive factors – The ratings may be upgraded if there is a sustained improvement in earnings along with low debt levels, translating into healthy credit metrics.

Negative factors – Pressure on the ratings could arise if a decline in volumes/margins and cash flows, large debt-funded capital expenditure and any inability to ramp up the large capacity additions being made adversely affecting the company's financial metrics. A specific credit metric which may lead to a downgrade includes total debt/OPBDITA of greater than 1.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated financial profile of the company. The details of the subsidiaries are enlisted in Annexure II

About the company

HSCL is an integrated manufacturer of various carbon-based products, starting with coal tar. The company operates 5,00,000-MTPA coal tar distillation units. Various distillates of the plant are used to manufacture CTP, different types of carbon black (CB), sodium naphthalene formaldehyde (SNF) and other advanced carbon-based materials. The coal tar distillation unit is the single-largest such facility in India, and the company commands a leading position in the domestic CTP and CB markets. The manufacturing capacity of carbon black is 1,20,000 MTPA and of speciality CB is 60,000 MTPA.

HSCL, along with Dalmia Bharat Refractories Limited (DBRL), acquired BTL in October 2023 through the corporate insolvency resolution process.

Key financial indicators (audited)

HSCL (consolidated)	FY2024	FY2025
Operating income	4,186.1	4,612.8
PAT	410.7	555.1
OPBDIT/OI	15.2%	18.4%
PAT/OI	9.8%	12.0%
Total outside liabilities/Tangible net worth (times)	0.5	0.2
Total debt/OPBDIT (times)	1.0	0.4
Interest coverage (times)	10.0	18.9

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 loans	Long term	-	July 31, 2025	-	Jul 09, 2024	[ICRA]AA- (Stable)	Jul 07, 2023	[ICRA]A+ (Positive)	Nov 29, 2022	[ICRA]A+ (Stable)
					Oct 15, 2024	[ICRA]AA- (Stable)	Aug 31, 2023	[ICRA]A+ (Positive)		
							Oct 09, 2023	[ICRA]A+ (Positive)		
							Dec 12, 2023	[ICRA]A+ (Stable)		
							Mar 28, 2024	[ICRA]A+ (Stable)		
Fund based/Non-fund based facilities	Long term/Short term	1780.00	July 31, 2025	[ICRA]AA- (Positive)/ [ICRA]A1+	Jul 09, 2024	[ICRA]AA- (Stable)/ [ICRA]A1+	Jul 07, 2023	[ICRA]A+ (Positive)/ [ICRA]A1	Nov 29, 2022	[ICRA]A+ (Stable)/ [ICRA]A1
					Oct 15, 2024	[ICRA]AA- (Stable)/ [ICRA]A1+	Aug 31, 2023	[ICRA]A+ (Positive)/ [ICRA]A1		
							Oct 09, 2023	[ICRA]A+ (Positive)/ [ICRA]A1		
							Dec 12, 2023	[ICRA]A+ (Stable)/ [ICRA]A1		

							Mar 28, 2024	[ICRA]A+ (Stable)/ [ICRA]A1		
Commercial paper	Short term	300.00	July 31, 2025	[ICRA]A1+	Jul 09, 2024	[ICRA]A1+	Jul 07, 2023	[ICRA]A1	Nov 29, 2022	[ICRA]A1
					Oct 15, 2024	[ICRA]A1+	Aug 31, 2023	[ICRA]A1		
							Oct 09, 2023	[ICRA]A1		
							Dec 12, 2023	[ICRA]A1		
							Mar 28, 2024	[ICRA]A1		
Unallocated limits	Long term/Short term	35.86	July 31, 2025	[ICRA]AA- (Positive)/ [ICRA]A1+	Jul 09, 2024	[ICRA]AA- (Stable)/ [ICRA]A1+	-	-	-	-
					Oct 15, 2024	[ICRA]AA- (Stable)/ [ICRA]A1+	-	-	-	-
Fund based facilities	Long-term	-	July 31, 2025	-	Jul 09, 2024	-	Jul 07, 2023	[ICRA]A+ (Positive)	Nov 29, 2022	[ICRA]A+ (Stable)
					Oct 15, 2024	-	Aug 31, 2023	[ICRA]A+ (Positive)		
							Oct 09, 2023	[ICRA]A+ (Positive)		
							Dec 12, 2023	[ICRA]A+ (Stable)		
							Mar 28, 2024	[ICRA]A+ (Stable)		
Non-fund based facilities	Long term/Short term	-	July 31, 2025	-	Jul 09, 2024	-	Jul 07, 2023	[ICRA]A+ (Positive)/ [ICRA]A1	Nov 29, 2022	[ICRA]A+ (Stable)/ [ICRA]A1
					Oct 15, 2024	-	Aug 31, 2023	[ICRA]A+ (Positive)/ [ICRA]A1		
							Oct 09, 2023	[ICRA]A+ (Positive)/ [ICRA]A1		
							Dec 12, 2023	[ICRA]A+ (Stable)/ [ICRA]A1		
							Mar 28, 2024	[ICRA]A+ (Stable)/ [ICRA]A1		
Unallocated limits	Long term	-	July 31, 2025	-	Jul 09, 2024	-	Jul 07, 2023	[ICRA]A+ (Positive)	Nov 29, 2022	[ICRA]A+ (Stable)
					Oct 15, 2024	-	Aug 31, 2023	[ICRA]A+ (Positive)		
							Oct 09, 2023	[ICRA]A+ (Positive)		
							Dec 12, 2023	[ICRA]A+ (Stable)		
							Mar 28, 2024	-		

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term/Short term – Fund based/Non-fund based	Simple
Long term/Short term unallocated limits	Not Applicable
Short term - Commercial paper	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	NA	NA	NA	1780.00	[ICRA]AA- (Positive)/[ICRA]A1+
NA	Long term/short term unallocated limits	NA	NA	NA	35.86	[ICRA]AA- (Positive)/[ICRA]A1+
INE019C14615	Short term - Commercial paper	30 May 2025	6.75%	28 August 2025	100.00	[ICRA]A1+
INE019C14623	Short term - Commercial paper	27 June 2025	6.30%	25 September 2025	200.00	[ICRA]A1+

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

Annexure II: List of entities considered for consolidated analysis

Company name	HSCL ownership	Consolidation approach
Himadri Speciality Chemical Limited	100.00% (rated entity)	Full consolidation
AAT Global Limited	100.00%	Full consolidation
Shandong Dawn Himadri Chemical Industry Limited	94.00%	Full consolidation
Combe Projects Private Limited	100.00%	Full consolidation
Himadri Clean Energy Limited	100.00%	Full consolidation
Himadri Future Material Technology Limited	100.00%	Full consolidation
Himadri Green Technologies Innovation Limited	100.00%	Full consolidation
Himadri Speciality Inc	100.00%	Full consolidation
Invati Creations Private Limited	40% (Subsidiary)	Full consolidation
Birla Tyres Limited	100.00%	Full consolidation
Himadri Birla Tyre Manufacturer Private Limited	49% (Subsidiary)	Full consolidation
Trancemarine and Confreight Logistics Private Limited (TCLPL)	60.00%	Full consolidation
Sturdy Niketan Private Limited	Step down subsidiary of TCLPL	Full consolidation

Source: HSCL annual report FY2025

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