August 18, 2025

OCCL Ltd: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund based - Term loan	47.00	47.50	[ICRA]AA- (Stable); reaffirmed
Long term - Fund based - Working capital	110.00	110.00	[ICRA]AA- (Stable); reaffirmed
Short term – Non-fund based limits	34.00	31.00	[ICRA]A1+; reaffirmed
Total	**191.00**	**188.50**	

**Instrument details are provided in Annexure I*

Rationale

The reaffirmation of the bank facilities of OCCL Ltd. factors in its long and established track record in manufacturing insoluble sulphur (IS) and its favourable position in the domestic and global markets, holding a 55-60% market share in the Indian market. ICRA also notes that the company is a preferred supplier to lot of major tyre companies across the world. The ratings also consider its healthy financial risk profile, characterised by steady cash generation from operations, and strong liquidity position and debt protection metrics. The ratings also factor in a steady growth outlook for the tyre industry, which is the key consumer of IS, in the medium to long term.

The profitability was adversely affected in FY2025 owing to a unfavourable domestic demand-supply scenario as well as the influx of a large amount of imports at low prices, which had moderated the realisations. Further, the demand for IS was weaker in the export markets amid a broader economic slowdown in Europe. Sulphur prices also increased substantially during the year, adversely affecting the profitability margins. The profitability, however, is expected to improve, going forward, due to the imposition of anti-dumping duty on Chinese and Japanese imports along with expectation of a moderation in sulphur prices and the price hikes taken by the company. The imposition of ADD is likely to restore the company's pricing power to some extent and improve the realisations.

This entity was formed after the business restructuring at the group level, wherein the chemicals business was demerged into OCCL Ltd. and the investments (including the one in Duncan Engineering) remained with Oriental Carbon & Chemicals Limited (now renamed as AG Ventures Limited). While a large portion of the investments was hived off to AG Ventures, the liquidity at OCCL Ltd. remains strong even as the company prepaid a sizeable portion of the long-term debt in Q1 FY2025, backed by healthy cash generation from business, limited debt repayments in the near term, low capex requirements and sizeable undrawn limits. The debt protection metrics also remained comfortable.

The ratings, however, are constrained by the significant dependence of the revenues on a single product and a single end-user industry i.e. tyres (insoluble sulphur is mostly supplied to the tyre manufacturers). While the process also yields byproducts such as sulphuric acid and oleum, insoluble sulphur remains the mainstay of the revenue and profit generation. The threat of competition, especially from Chinese players, can be partly mitigated by maintaining a superior product quality and high standards of health and safety at the plants. The profitability also remains vulnerable to foreign exchange rate movements and fluctuations in raw material prices.

ICRA also notes that the company generates 55-60% of its revenues from exports; of the total revenue, 10-15% comes from exports to the US. The impact of the imposition of tariffs on Indian exports to the US remains to be seen. However, ICRA does not expect the impact on OCCL to be material as the amount of exports is not sizeable and the customers are reputed tyre manufacturers with long associations. Further, given the limited number of international manufacturers of insoluble sulphur, the trade routes can be reworked and OCCL can explore new geographies in case the tariffs were to be absorbed by the company or the imposition of tariffs makes the product uncompetitive.

The Stable outlook on the rating factors in ICRA's expectation of a healthy cash flow generation, given the company's market leadership position in the Indian insoluble sulphur market and hopes of an improvement in profit generation, especially after the imposition of ADD.

Key rating drivers and their description

Credit strengths

Well-experienced management and long track record of OCCL Ltd. in producing insoluble sulphur (IS) – OCCL Ltd. has a long and established track record in the chemical industry. It started operations as Dharuhera Chemicals Limited in 1978 and was later merged with Oriental Carbon Limited in 1984 to form Oriental Carbon and Chemicals Limited and the chemicals business has been recently demerged into OCCL Ltd. It started producing insoluble sulphur in 1994 with a capacity of 3,000 MTPA and has since then ramped up its capacity to 39,500 MTPA.

Dominant market position in domestic industry; preferred supplier to major tyre companies across the world – OCCL Ltd. has a dominant position in the domestic market as the sole manufacturer of IS in India. It has also been able to position itself as the preferred/second preferred supplier to most global tyre makers. Hence, it continues to retain its leadership position in the domestic market with a 55-60% share and around 10% share in the global market.

Healthy financial risk profile with comfortable margins and strong debt protection metrics – OCCL's capitalisation and coverage indicators have improved significantly over the last few years, owing to healthy cash generation and low reliance on debt. The gross debt levels were Rs. 62.0 crore at the end of FY2025, leading to a comfortable financial leverage (debt/OPBDITA) of 1.1 times at the end of FY2025. The interest coverage ratio improved to 10.2 times in FY2025 vis-à-vis 7.4 times in FY2024. ICRA expects the company's credit metrics to improve further, given the healthy cash generation and limited capex plans, going forward. Moreover, the imposition of ADD is likely further push up the profitability, leading to an improvement in the debt coverage metrics.

Credit challenges

Competition from Chinese players - Chinese manufacturers are usually able to offer insoluble sulphur at a lower cost and are a threat to players like OCCL. However, this risk is partly mitigated by better quality and the environmental, health and safety standards (EHS). Many large tyre manufacturers are wary of procuring from Chinese players due to apprehensions over inconsistent quality levels and lower EHS standards.

Vulnerable to forex rate movements, partly mitigated by hedging policy - OCCL derives a significant share of its revenues from export sales, exposing the company to foreign exchange fluctuations. However, the risk is partially mitigated by the company's policy to hedge nearly 75% of its net exposure for the forward six months using forward contracts.

Profitability vulnerable to increase in raw material prices – Sulphur and coating oil are the major raw materials for manufacturing insoluble sulphur. Sulphur prices have been volatile over the years, which exposes the company to raw material price risk. The risk is, however, largely mitigated by the periodic price revisions with the end users though there can be a lag in passing on the variation raw material prices, as seen in FY2025 when the sulphur prices increased sharply, having an impact on the margins.

Environment and social risks

Given the safety and environmental health-related concerns associated with chemicals, the industry is exposed to the risk of tightening regulatory norms for the production, handling, disposal and transportation of chemical products. OCCL has a demonstrated track record of running its operations safely and the company was awarded an EcoVadis Gold sustainability rating in 2025.

OCCL is focused on the sustainability of its operations. The company has reduced its consumption of fuel due to its innovation. OCCL has also installed a 3.5-MW captive solar plant to generate energy from renewable sources. OCCL's water utilisation has been reduced, and the company has become water neutral at the Dharuhera location.

Liquidity position: Strong

OCCL's liquidity is strong, backed by healthy accruals as well as limited debt repayments and capex requirements in the near to medium term. While the cash balances as on March 31, 2025 stood at around Rs. 14 crore (post prepayment of some long term loans in FY2025), the liquidity is also supported by cushion in the fund-based limits along with healthy cash generation from the business.

Rating sensitivities

Positive triggers –The rating may be revised upwards if OCCL exhibits a significant increase in the scale of operations along with a sustained healthy profitability and liquidity position.

Negative triggers – The ratings may be downgraded if there is a significant contraction in the scale of operations or pressure on the margins for a sustained period, resulting in weak cash accruals.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings of OCCL are based on standalone financials of the company

About the company

Oriental Carbon & Chemicals Ltd was incorporated in 1978 as Dharuhera Chemicals Limited (DCL). In 1983, DCL was merged with Oriental Carbon Limited (OCL), a group company engaged in the production of carbon black, to form Oriental Carbon & Chemicals Ltd. In 1994, Oriental Carbon & Chemicals Ltd had set up a manufacturing facility to produce insoluble sulphur, which is now the flagship product of the company as the latter had sold the carbon black unit to Continental Carbon Company in 2000.

Further, under a business restructuring exercise, the chemicals business was demerged into OCCL Limited, and the investment business and Duncan Engineering Limited became a subsidiary of Oriental Carbon & Chemicals Limited. At present, OCCL Ltd has three production units: two at Dharuhera Industrial Unit in Haryana and one at Mundra SEZ in Gujarat. The company is currently engaged in the production of insoluble sulphur, sulphuric acid and oleum. The production capacity of OCCL Ltd stands at 39,500 metric tonnes per annum (MTPA) for insoluble sulphur (IS), and 88,200 MTPA for sulphuric acid and oleum.

Key financial indicators (audited)

Standalone	FY2024	FY2025
Operating income	386.3	307.6
PAT	43.0	21.4
OPBDITA/OI (%)	21.3%	18.1%
PAT/OI (%)	11.1%	7.0%
Total outside liabilities/Tangible net worth (times)	0.3	0.3
Total debt/OPBDITA (times)	1.7	1.1
Interest coverage (times)	7.4	10.2

Source: Company, ICRA Research; All ratios are 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 rating (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	Aug 18, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based - Working capital	Long term	110.00	[ICRA]AA- (Stable)	Aug 14, 2024	[ICRA]AA- (Stable)	-	-	-	-
Fund based - Term loan	Long term	47.50	[ICRA]AA- (Stable)	Aug 14, 2024	[ICRA]AA- (Stable)	-	-	-	-
Non-fund based limits	Short term	31.00	[ICRA]A1+	Aug 14, 2024	[ICRA]A1+	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long term - Fund based - Term loan	Simple
Long term - Fund based - Working capital	Simple
Short term – Non-fund based limits	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/Sanction	Coupon rate	Maturity date	Amount rated (Rs. crore)	Current rating and outlook
NA	**Fund based - Working capital**	NA	NA	NA	110.00	[ICRA]AA- (Stable)
NA	**Fund based - Term loan**	FY2018-FY2023	8.50%-9.50%	FY2024-FY2028	47.50	[ICRA]AA- (Stable)
NA	**Non-fund based limits**	NA	NA	NA	31.00	[ICRA]A1+

Source: Company

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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ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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