

March 11, 2026

Birla Carbon AP Private Limited: Ratings reaffirmed and assigned for enhanced amount

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-Others	950.00	1,600.00	[ICRA]AA (Stable)/[ICRA]A1+; Reaffirmed/Assigned for enhanced amount
Total	950.00	1,600.00	

*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 moderate debt and comfortable cash flow at the standalone level. However, its 100% subsidiary is undertaking a debt-funded capex, which will impact the leverage and coverage metrics of BCIPL at a consolidated level, especially for FY2027 and FY2028. After this, the leverage and coverage metrics are expected to improve with a ramp-up in the subsidiary's operations.

In FY2025, BCIPL's operating income remained flat due to a stagnation in volumes. The turnover in the current fiscal is expected to be at a similar level. While the volumes have improved in 9M FY2026, this has been offset by a pressure on realisations. Further, BCIPL's profitability was impacted by a decline in the operating margin to ~7.6% in H1 FY2026 from ~10.3% in FY2025. This was because of a large influx of Russian carbon black in India following the European Union's ban on carbon black imports from Russia. The oversupply in the domestic market added to this pressure. While the ban on Russia presented an opportunity to Indian carbon black exporters, subdued realisations in the domestic market constrained the margins. The margins are expected to remain under pressure in the near term till the time the demand-supply scenario changes.

ICRA also notes that the company is in the process of undertaking a debt-funded capex of ~Rs. 1,500 crore under its 100% subsidiary – Birla Carbon AP Private Limited (BCAPPL). A part of the funding will be met by equity contribution from the cash flows of existing operations and the available liquidity of BCIPL, while the balance will be debt funded. Thus, during the capex implementation period, with the addition of debt, the credit profile of BCIPL (consolidated) is likely to witness some moderation.

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 deposits on a quarterly basis. The ICDs stood at Rs. 1,682 crore as on September 30, 2025. ICRA also takes note of the investment of ~Rs. 124 crore made by the company in Royal Carbon Black Pvt. Ltd., acquiring a 26% stake to enter the recycled carbon black segment. However, BCIPL's liquidity position and debt coverage indicators have remained comfortable amid healthy cash generation from the business. While the cash level was low during year-end owing to the payments to suppliers, it stood at around Rs. 155 crore as on September 30, 2025. The adequate cash level, along with unutilised bank limits, indicates a healthy 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 from the business, driven by its prominent position in the Indian carbon black industry. While the debt levels are expected to increase as the company is undertaking greenfield capex, the overall credit profile is likely to remain comfortable.

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 (1,80,705 MT in H1FY2026). 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 synergy 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 rising 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. The advances stood at ~Rs. 1,682 crore as on September 30, 2025. 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 ~Rs. 1,500 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 cyclicity in domestic automobile industry – BCIPL's revenue growth and profit margins remain susceptible to the cyclicity 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 cyclicity 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. 1,682 crore as on September 30, 2025), BCIPL's liquidity position is comfortable as it has been generating robust free cash flows amid moderate working capital and capex requirements. 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. 155 crore as on September 30, 2025.

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 comfortable 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 a 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.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Chemicals Corporate Credit Rating Methodology
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)

Birla Carbon AP Private Limited (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; 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: Not applicable

Rating history for past three years

Instrument	Current rating (FY2026)					Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs crore)	Mar 11, 2026	FY2026		FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund Based/Non Fund Based-Others	Long Tem/ Short Term	1,600.00	[ICRA]AA (Stable)/ [ICRA]A1+	Aug 25, 2025	[ICRA]AA (Stable)/ [ICRA]A1+	Oct 14, 2024	[ICRA]AA (Stable)/ [ICRA]A1+	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term/Short-term - Fund-based/Non-fund based - Others	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	1,600.00	[ICRA]AA(Stable)/[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

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

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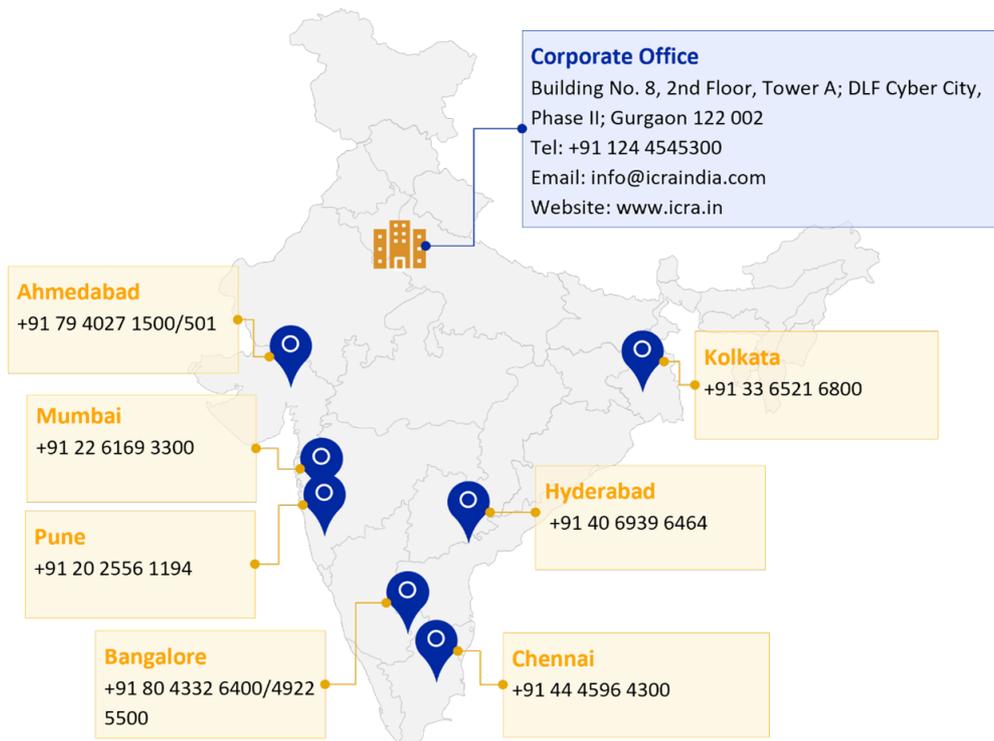


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