September 02, 2026

OCCL Ltd: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action	Financial sector regulator#
Long term - Fund based - Term loan	47.50	14.80	[ICRA]AA-(Stable); reaffirmed	RBI
Long term - Fund based - Working capital	110.00	205.00	[ICRA]AA-(Stable); reaffirmed/assigned for enhanced amount	RBI
Short term – Non-fund based limits	31.00	49.00	[ICRA]A1+; reaffirmed/assigned for enhanced amount	RBI
Long term/Short term - Unallocated	0.00	0.20	[ICRA]AA-(Stable)/[ICRA]A1+; assigned	RBI
Total	**188.50**	**269.00**		

**Instrument details are provided in Annexure I*

#SEBI's grievance redressal/dispute resolution and SEBI investor protection mechanisms such as SCORES and ODR shall not be available for activities and instruments that fall under the regulatory purview of financial sector regulators other than SEBI.

Rationale

The ratings for the bank facilities (including the enhanced portion) of OCCL Ltd factor in its long and established track record in manufacturing insoluble sulphur (IS), its favourable market position in the domestic and global markets and its dominant domestic market share of 58-60%. ICRA notes that the company remains a preferred supplier for major tyre manufacturers globally, with around 80% of the revenues generated from repeat customers. The ratings also consider OCCL's healthy financial risk profile, characterised by steady cash generation from operations, a healthy liquidity position and comfortable debt protection metrics. The ratings further factor in the steady growth outlook for the tyre industry, which is the key consumer of insoluble sulphur, with the Indian tyre industry expected to grow at 5-7% against a global IS demand growth of 2-3%.

The profitability of the IS business remained under pressure in FY2026 owing to continued competition from Chinese suppliers, weak export demand, elevated sulphur prices and US tariff-related pressure. While anti-dumping duty was imposed on imports from China and Japan in FY2026, the benefit was initially limited as Chinese suppliers absorbed the duty through lower export pricing. However, the overall profitability improved during FY2026, supported by higher realisations and strong performance of the sulphuric acid and oleum segments. The operating income increased to Rs. 506.7 crore in FY2026 from Rs. 307.6 crore in FY2025, while the operating profit before interest, taxes, depreciation, and amortization (OPBITDA) and profit after tax (PAT) improved to Rs. 97.0 crore and Rs. 47.7 crore, respectively, from Rs. 55.8 crore and Rs. 21.4 crore, respectively, in FY2025. The performance strengthened further in Q1 FY2027, supported by higher IS and sulphuric acid realisations, inventory gains on low-cost sulphur inventory and improved pricing conditions following the trade protection measures.

The company's liquidity remains strong, supported by healthy cash generation, moderate debt repayments, modest capex requirements and enhanced bank lines. As on March 31, 2026, the company had cash and liquid investments of Rs. 17.5 crore (including cash & bank balances, fixed deposit, investment in mutual funds, factoring in ICRA's policy on liquidity). The debt protection metrics also remained comfortable, with the TD/OPBITDA at around 0.9 times and interest coverage at 19.3 times in FY2026. In FY2027, the working capital requirements have gone up because of the increase in sulphur prices. Thus, the overall working capital borrowings are expected to rise and may moderate the credit metrics, although they will still remain healthy given the significant improvement expected in the OPBDITA levels in FY2027.

The ratings, however, remain constrained by the significant dependence on revenue from a single product and a single end-user industry, i.e., tyres. While the process of manufacturing IS also yields by-products such as sulphuric acid and oleum, insoluble sulphur remains the mainstay of the business profile. However, the contribution from sulphuric acid increased materially during FY2026 and Q1 FY2027 owing to a sharp increase in realisations. The threat of competition, especially from Chinese players, can be partly mitigated by maintaining superior product quality, customer approvals and high standards of health and safety at the plants. The profitability also remains vulnerable to foreign exchange movements, global trade measures and fluctuations in raw material prices, particularly sulphur.

ICRA also notes that the company has a sizeable export presence, with exports accounting for 36% of its revenues in FY2026. The export profitability was impacted in FY2026 due to weak global demand, geopolitical disruptions and US tariff-related pressure. The US tariffs were increased to 50% from 0%, requiring the company to offer discounts to the customers in the US market to remain competitive and retain customer relationships. With the rationalisation of the tariffs, ICRA expects the profitability in the export markets to improve vis-a-vis the FY2026 levels, although the domestic market will remain more remunerative for the company in terms of profitability. OCCL continues to benefit from its long-standing relationships with reputed global tyre manufacturers.

Further, the foreign exchange risk is partly mitigated by natural hedging as imports account for 25-30% of the raw material requirements, and partly by the company's policy of hedging around 75% of its net forex exposure through forward contracts.

The Stable outlook on the rating factors in ICRA's expectation that OCCL will continue to generate healthy cash flows, supported by its established position in the domestic insoluble sulphur market, steady demand from the tyre industry and a comfortable financial risk profile. The outlook also factors in the improvement in profitability in FY2026 and Q1 FY2027, aided by better realisations, strong sulphuric acid performance and improved domestic pricing conditions following the trade protection measures. The liquidity is expected to remain strong, supported by healthy accrual generation, moderate repayment obligations, limited capex requirements and enhanced working capital limits.

Key rating drivers and their description

Credit strengths

Well-experienced management and long track record of OCCL in producing insoluble sulphur – 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 for 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 for most global tyre makers. Hence, it continues to retain its leadership position in the domestic market with a 58-60% share and around 80% of its revenue is earned from repeat customers. The company's customer base includes major domestic and global tyre manufacturers; Continental remains one of the key customers, accounting for around 22% of its IS volumes.

Healthy financial risk profile with comfortable margins and strong debt protection metrics – OCCL's capitalisation and coverage indicators have remained comfortable over the years, owing to healthy cash generation and low reliance on long-term debt. While the gross debt increased to Rs. 89.6 crore at the end of FY2026 from Rs. 62.0 crore at the end of FY2025, largely owing to higher working capital borrowings amid elevated sulphur prices and inventory build-up, the financial leverage remained comfortable, with the debt/OPBDITA improving to 0.9 times in FY2026 from 1.1 times in FY2025. The interest coverage ratio also improved to 19.3 times in FY2026 from 10.2 times in FY2025, supported by improved profitability.

ICRA expects the company's credit metrics to remain comfortable, given the healthy cash generation, limited capex plans and improvement in profitability, going forward. Further, the improved pricing environment and trade protection measures are expected to support the profitability and debt coverage metrics.

Credit challenges

Competition from Chinese players - Chinese manufacturers are usually able to offer insoluble sulphur at a lower cost and continue to be a threat to players like OCCL. However, this risk is partly mitigated by maintaining environmental, health and safety standards (EHS). As large tyre manufacturers are wary of procuring from Chinese players due to apprehensions over geopolitical issues, inconsistent quality levels and lower EHS standards. In FY2026, Chinese suppliers absorbed a significant portion of the anti-dumping duty through lower export pricing, limiting the immediate benefit for domestic manufacturers. However, rising sulphur costs, limited sulphur availability, elevated freight costs and provisional imposition of anti-absorption measures have reduced the competitiveness of Chinese supplies in current quarter.

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. Exports accounted for 36% of the revenues in FY2026. However, the export profitability was impacted in FY2026 by weak global demand, geopolitical disruptions and US tariff-related pressures. The US tariffs were increased to 50% from 0% which has since been reversed, requiring the company to offer discounts in the American market to remain competitive. However, the forex risk is partially mitigated by the company's policy to hedge nearly 75% of its net exposure using forward contracts. Moreover, the company imports 25-30% of its raw material requirements, which also provides a natural hedge to an extent.

Profitability sensitive 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 periodic price revisions with the end users though there can be a lag in passing on the variation in raw material prices, as seen in FY2025 and FY2026 when sulphur prices increased sharply, impacting the margins. Average sulphur cost increased to around Rs. 52/kg in FY2026 from around Rs. 29/kg in FY2025 and rose further to around Rs. 110-120/kg in Q1 FY2027. The company has moved domestic pricing to monthly revisions, while several customer contracts have shifted to quarterly revisions, improving the efficiency in cost pass-through.

Environmental 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 has been awarded an EcoVadis Gold sustainability rating.

OCCL is focused on the sustainability in its operations. The company has reduced its fuel consumption by taking up innovation and energy-efficiency initiatives. It has also installed a 3.5-MW captive solar plant to generate energy from renewable sources. It has reduced water utilisation and has become water-neutral at the Dharuhera location. However, given the nature of its operations, the company remains exposed to any tightening in environmental regulations applicable to the chemical industry.

Liquidity position: Adequate

Going forward, the liquidity position is expected to remain adequate, supported by healthy net cash accruals of Rs. 90-100 crore in FY2027 along with Rs. 17.5 crore of free cash and liquid investments, enhanced fund-based limits of Rs. 205 crore including recently availed Emergency ECLGS facility of ~Rs. 13 crore, all of which will be adequate to fund the near-term increase in the working capital requirements. The company was utilising factoring arrangements and bill discounting platforms to meet its working capital funding requirements with interim. The capex plans remain modest at Rs. 20-22 crore in FY2027 and the long-term debt repayment is ~Rs. 13.5 crore, which the company should be able to comfortably meet from its internal accruals.

Rating sensitivities

Positive factors – The ratings may be revised upwards if OCCL exhibits a significant increase in its scale of operations while maintaining healthy profitability and liquidity position on a sustained basis.

Negative factors – The ratings may be downgraded if there is a significant contraction in the scale of operations or a 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 the standalone financials of the company

About the company

OCCL Limited operates three manufacturing units - two at Dharuhera, Haryana, and one at Mundra SEZ, Gujarat and manufactures insoluble sulphur, sulphuric acid and oleum. It has an installed capacity of 39,500 MTPA for IS and 99,000 MTPA for sulphuric acid and oleum combined.

OCCL was incorporated in 1978 as Dharuhera Chemicals Limited (DCL). In 1983, DCL merged with Oriental Carbon Limited, a group company engaged in carbon black manufacturing, to form Oriental Carbon & Chemicals Limited. The company started producing insoluble sulphur in 1994; IS subsequently became its flagship product following the sale of the carbon black unit to Continental Carbon Company in 2000. Following a business restructuring, the chemicals business was demerged into OCCL Limited with effect from July 1, 2024, while the investment business and Duncan Engineering Limited remained with Oriental Carbon & Chemicals Limited, subsequently renamed AG Ventures Limited.

Key financial indicators (audited)

OCCL Limited (consolidated)	FY2025	FY2026
Operating income	307.61	506.74
PAT	21.42	47.71
OPBDIT/OI	18.14%	19.14%
PAT/OI	6.96%	9.41%
Total outside liabilities/Tangible net worth (times)	0.35	0.40
Total debt/OPBDIT (times)	1.11	0.92
Interest coverage (times)	10.19	19.27

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore
PAT: Profit after tax; OPBDIT: 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 (FY2027)			Chronology of rating history for the past 3 years					
				FY2026		FY2025		FY2024	
Instrument	Type	Amount rated (Rs. crore)	September 02, 2026	Date	Rating	Date	Rating	Date	Rating
Fund based - Term loan	Long term	14.80	[ICRA]AA- (Stable)	Aug 18, 2025	[ICRA]AA- (Stable)	Aug 14, 2024	[ICRA]AA- (Stable)	-	-
Fund based - Working capital	Long term	205.00	[ICRA]AA- (Stable)	Aug 18, 2025	[ICRA]AA- (Stable)	Aug 14, 2024	[ICRA]AA- (Stable)	-	-
Non-fund based limits	Short term	49.00	[ICRA]A1+	Aug 18, 2025	[ICRA]A1+	Aug 14, 2024	[ICRA]A1+	-	-
Unallocated	Long term/ Short term	0.20	[ICRA]AA- (Stable)/ [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	Simple
Long term/Short term - Unallocated	Not Applicable

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	Financial Sector Regulator#
NA	**Fund based - Term Loan**	NA	NA	FY 2028	14.80	[ICRA]AA- (Stable)	RBI
NA	**Fund based - Working capital**	NA	NA	NA	205.00	[ICRA]AA- (Stable)	RBI
NA	**Non-fund based limits**	NA	NA	NA	49.00	[ICRA]A1+	RBI
NA	**Long Term/Short term-Unallocated**	NA	NA	NA	0.20	[ICRA]AA- (Stable)/ [ICRA]A1+	RBI

Source: Company

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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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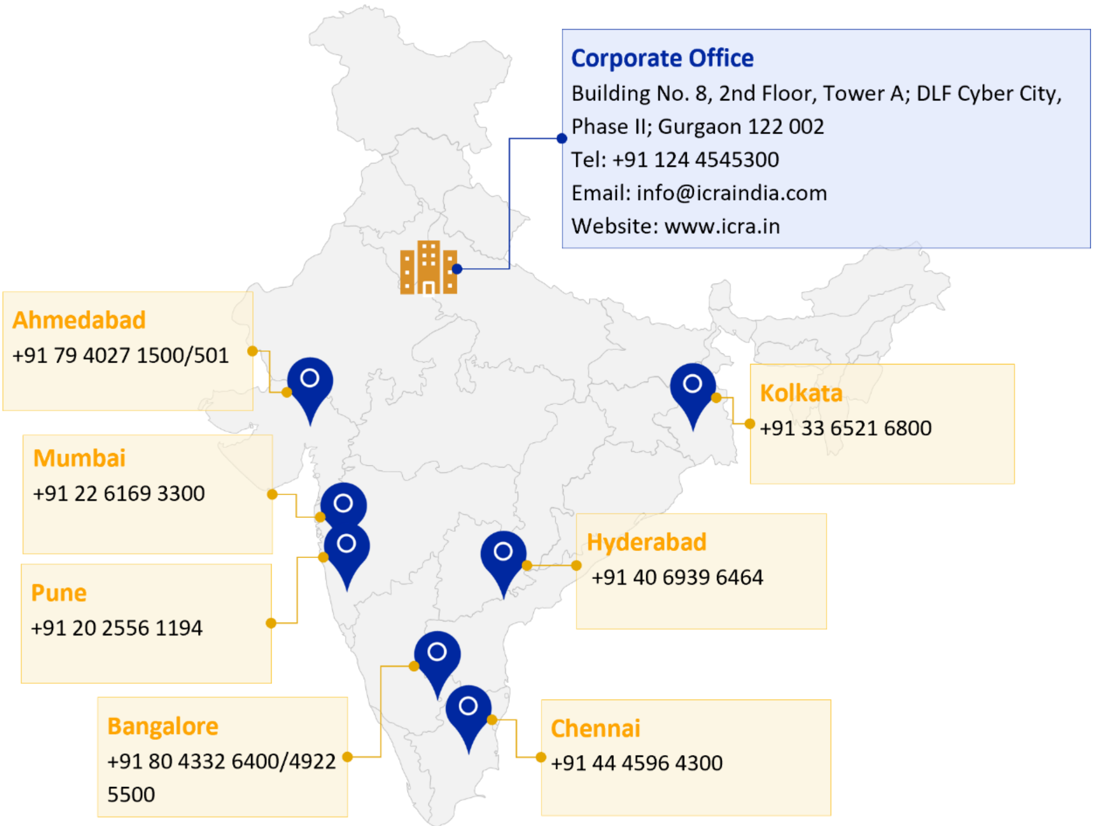

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