Rating Rationale

September 18, 2025 | Mumbai

Birla Carbon India Private Limited

Rating Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	**Rs.500 Crore**
Long Term Rating	**Crisil AA/Stable (Reaffirmed)**

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1 crore = 10 million
Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

Crisil Ratings has reaffirmed its 'Crisil AA/Stable' rating on the long-term bank facilities of Birla Carbon India Pvt Ltd (BCIPL).

The rating continues to reflect the healthy business risk profile of BCIPL, driven by its strong market position in the domestic carbon black industry, steady operating margin and healthy cash accrual. Healthy operating performance has translated into a robust financial risk profile, as reflected in low leverage.

In fiscal 2025, operating income increased by ~2% on-year with marginal increase in realisation although sales volume remained flat. Earnings before interest, tax, depreciation and amortisation (Ebitda) per tonne declined to Rs 13,273 (Rs 16,817 in fiscal 2024) owing to increased competition from cheaper imports. Going forward, Ebitda per tonne is expected to remain rangebound at Rs 13,000-15,000 with expected stable carbon black prices, focus on increasing contribution of higher-margin specialty grade carbon black and ability to pass through volatility in raw material cost for part of their sales, albeit with lag of a quarter.

BCIPL is implementing a greenfield project towards expanding its carbon black capacity by 1.2 lakh tonne (to 7.02 lakh tonne) with capital expenditure (capex) of Rs 1,400-1,500 crore. The project is being executed under its wholly owned subsidiary, Birla Carbon AP Pvt Ltd (BCAPL). The project is likely to be commissioned in the first quarter of fiscal 2027. Successful implementation and commissioning within the budgeted cost and timelines will be monitorable.

The ratings continue to factor in the strong financial flexibility of the company derived from being part of the Aditya Birla group. Also, leading position of the group in the global carbon black industry enables BCIPL to leverage the technical know-how and scale of the group.

These strengths are partially offset by high client concentration in the revenue profile, with the top five customers accounting for 63% of sales, cyclicality in the automobile industry and susceptibility of realisation to fluctuations in crude oil prices and foreign exchange (forex) rates.

Analytical Approach

Crisil Ratings has combined the business and financial risk profiles of BCIPL and its subsidiaries and associates.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

Strong market position in the domestic carbon black industry: The company is the second-largest player in the carbon black industry, after PCBL Chemical Limited (‘Crisil AA/Stable/Crisil A1+’), with domestic market share of 25-30%. It has production capacity of 382,000 tonne per annum (TPA), accounting for 17% of total domestic capacity. Its manufacturing facilities are close to tyre manufacturers to minimise logistics cost. Exports account for 10-15% of sales.

Capacity utilisation remained more than 85% in the past four fiscals as growth in demand led to increase in volumes. The outlook for the end-user segment, majorly the domestic tyre industry, is healthy with sales volumes expected to grow 5-7% over the medium term. Sales volume growth is likely to be marginal as existing facilities are operating at high utilisation levels. However, increase in capacity will likely enhance the company’s market share over the medium term. Also, the company is focused on increasing the share of high-margin specialty carbon black in the sales mix, which should aid profitability.

Longstanding relationships with reputed clients: BCIPL has established relationships with large tyre manufacturers. The company draws majority of its revenue (more than 85%) from carbon black sales. It has diversified its clientele over the last few fiscals, with the top five players, including MRF Ltd, Apollo Tyres Ltd ('Crisil AA+/Stable/Crisil A1+'), JK Tyre, CEAT and Bridgestone India accounting for around 63% of revenue in fiscal 2025. Large scale of operations, strong global brand and focus on quality and timeliness of services have enabled the company to maintain healthy relationships with key customers.

Benefits derived from being part of a strong group: The company is a wholly owned subsidiary of SKI Carbon Black (Mauritius) Ltd (SKI Carbon Black), which is the holding company for all carbon black business entities of the Aditya Birla group, and operates under the common brand, Birla Carbon. SKI Carbon Black is also one of the world's largest producers of carbon black, with installed capacity of around 2 million tonne per annum. Geographically diversified business risk profile brings in benefits of marketing under common brand and central procurement of feedstock. An in-house research and development centre focuses on yield enhancement through technology initiatives, thereby lowering cost of production and driving process improvements.

Strong financial risk profile: The financial risk profile of the company remains strong supported by negligible debt of Rs 70 crore and strong networth of Rs 3,640 crore, resulting in comfortable adjusted gearing of 0.02 time as on March 31, 2025.

The company is setting up a 1.2 lakh tonne carbon black capacity, expected to be completed by the first quarter of fiscal 2027, at cost of Rs 1,400-1,500 crore considering high utilisation and healthy outlook for the domestic end-user industry. The capex is expected to be funded through debt of Rs 800-900 crore and remaining through cash accrual. Financial leverage is expected to increase over the medium term but expected to remain below 2 times. However, any larger-than-expected capex increasing the debt will remain a key monitorable.

Weaknesses:
Support towards group companies: Loans and advances to group entities increased marginally to Rs 1,677 crore as on March 31, 2025, from Rs 1,652 crore as on March 31, 2024. Crisil Ratings understands management's policy to limit the financial support towards group companies (including remittance to parent) to 50% of the net profit of the company. However, the loans and advances extended to Aditya Birla group holding entities are interest-bearing and repayable on demand. The interest on these loans is received in a timely manner. Inability to recall the loans in a timely manner, affecting liquidity or leverage, will be a key rating sensitivity factor.

Susceptibility to cyclicality in the automobile industry: Demand for domestic carbon black depends on the growth of the tyre industry as 65% of carbon black produced in India is consumed by tyre manufacturers. More than 90% of the company's revenue comes from carbon black sales. Revenue may be impacted owing to slowdown in demand from automobile original equipment manufacturers (OEMs) or disruptions, such as the Covid-19 pandemic, leading to shutdown of tyre dealerships or automobile service stations. That said, 65-70% of tyre demand comes from the aftermarket, which is more resilient than the OEM segment.

Vulnerability to volatility in crude oil prices and forex rates, albeit supported by ability to pass on increased input cost: Carbon black feedstock (CBFS), derived from crude oil, is a major raw material for carbon black production. Increase in crude oil prices may drive up CBFS prices and thus increase the operating cost for players such as BCIPL. The company passes on price hikes to customers for a part of its sales, although with lag, mitigating any risk to profitability. Forward contracts mitigate the risk of volatility in forex rates. Stable revenue from sale of surplus power generated also supports the operating margin.

Liquidity: Strong

Expected cash accrual of over Rs 400 crore per annum will comfortably cover minimal yearly debt obligation of Rs 45 crore over the next couple of fiscals. Regular cash flow, along with adequate working capital limit and other short-term facilities, supports liquidity. Cash and equivalent (excluding inter-corporate deposits) stood at Rs 70 lakh as on March 31, 2025, while fund-based working capital limit of Rs 1,450 crore (drawing power of Rs 672 crore as of May 2025) was utilised 2% on average over the six months through May 2025.

Healthy cash accrual will sufficiently cover working capital requirement and capex (towards equity contribution for capacity expansion as well as regular maintenance). The company also benefits from being part of the Aditya Birla group

Outlook: Stable

Crisil Ratings believes BCIPL will continue to benefit from its strong market position ensuring steady order inflow, sound operating efficiency and healthy financial risk profile.

Rating sensitivity factors

Upward factors

- Significant improvement in operating scale, resulting in strong market share gains, while maintaining operating profitability with Ebitda per tonne significantly higher than ~Rs 16,000
- Strong operating free cash generation supporting further improvement in capital structure and return profile

Downward factors

- Significant rise in leverage resulting from higher-than-expected debt-funded capex or extension of loans/advances to group companies

- Deterioration in operating profile, with material fall in profitability and higher working capital requirement, resulting in negative free cash flow on a sustained basis

About the Company
BCIPL [previously, SKI Carbon Black (India) Pvt Ltd], an Aditya Birla group company, is a wholly owned subsidiary of SKI Carbon Black. The company manufactures carbon black, which is used in the tyre industry. It also has a cogeneration power plant of around 100 MW.

BCIPL started the carbon black business in India in 1988, through Hi-Tech Carbon, Renukoot (Uttar Pradesh). The second plant was set up in Gummidipoondi, Tamil Nadu, followed by a third unit in Patalganga, Maharashtra. In 2013, Hi-Tech Carbon demerged from Aditya Birla Nuvo Ltd and SKI Carbon Black India Pvt Ltd was incorporated and renamed as BCIPL in 2018. The company has a production capacity of 382,000 TPA.

In July 2023, BCAPL was set up as wholly owned subsidiary of BCIPL. The company is setting up capacity of 120,000 TPA in Naidupeta, Andhra Pradesh, which is expected to commence operations in fiscal 2027.

Key Financial Indicators (BCIPL - consolidated; Crisil Ratings-adjusted numbers)

As on / for the period ended March 31	Units	2025	2024
Revenue	Rs crore	4,343	4,270
Profit after tax (PAT)	Rs crore	346	446
PAT margin	%	8.0	10.5
Adjusted debt / adjusted networth	Times	0.02	0.00
Adjusted interest coverage	Times	34.07	349.34

Any other information: Not Applicable

Note on complexity levels of the rated instrument:
Crisil Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

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Annexure - Details of Instrument(s)

ISIN	Name Of Instrument	Date Of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs. Crore)	Complexity Levels	Rating Outstanding with Outlook
NA	Working Capital Facility	NA	NA	NA	500.00	NA	Crisil AA/Stable

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Birla Carbon AP Pvt Ltd	Full	Subsidiary
Snap Studio LLP	Full	Subsidiary
Birla Carbon SCM Pvt Ltd	Full	Subsidiary
Royal Carbon Black Pvt Ltd	Equity method	Associate

Annexure - Rating History for last 3 Years

	Current			2025 (History)		2024		2023		2022		Start of 2022
Instrument	**Type**	**Outstanding Amount**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**	**Rating**
Fund Based Facilities	LT	500.0	Crisil AA/Stable		--	11-07-24	Crisil AA/Stable	07-08-23	Crisil AA/Stable / Crisil A1+	30-06-22	Crisil AA-/Positive	Crisil AA-/Stable
			--		--	28-06-24	Crisil AA/Stable / Crisil A1+	30-06-23	Crisil AA/Stable		--	--
			--		--		--	08-02-23	Crisil AA-/Positive		--	--
Non-Fund Based	ST		--		--	28-06-24	Crisil A1+	07-08-23	Crisil A1+	30-06-22	Crisil A1+	Crisil A1+

Facilities												
			--		--		--	30-06-23	Crisil A1+		--	--
			--		--		--	08-02-23	Crisil A1+		--	--
Commercial Paper	ST		--		--	28-06-24	Withdrawn	07-08-23	Crisil A1+	30-06-22	Crisil A1+	Crisil A1+
			--		--		--	30-06-23	Crisil A1+		--	--
			--		--		--	08-02-23	Crisil A1+		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Working Capital Facility	**200**	**ICICI Bank Limited**	**Crisil AA/Stable**
Working Capital Facility	**125**	**Kotak Mahindra Bank Limited**	**Crisil AA/Stable**
Working Capital Facility	**175**	**Axis Bank Limited**	**Crisil AA/Stable**

Criteria Details

Links to related criteria
Basics of Ratings (including default recognition, assessing information adequacy)
Criteria for consolidation
Criteria for manufacturing, trading and corporate services sector (including approach for financial ratios)

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