India Ratings Places Indo Borax's Bank Loan Facilities on Rating Watch with Negative Implications

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India Ratings and Research (Ind-Ra) has placed Indo Borax & Chemicals limited (IBCL) bank loan facilities on Rating Watch with Negative Implications as follows:

Details of Instruments

Instrument Type	Regulator of Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (INR million)	Rating Assigned with Outlook/Watch	Rating Action
Bank loan facilities	RBI	-	-	-	600	IND BBB+/Rating Watch with Negative Implications/IND A2+/Rating Watch with Negative Implications	Placed on Rating Watch with Negative Implications

Analytical Approach

Ind-Ra continues to take a standalone view of IBCL for arriving at the ratings.

Detailed Rationale of the Rating Action

Ind-Ra has placed the ratings on Rating Watch with Negative Implications following the announcement of IBCL's acquisition of Kronox Lab Science Limited's (KLSL) 64.26% promoter shareholding, which is likely to be completed by 29 September 2026. As per the public announcement made on 20 August 2026, IBCL has entered into a share purchase agreement with the promoters of KLSL, under which, IBCL is likely to acquire 2,38,44,000 equity shares (INR10 face value each) for an aggregate consideration of INR2,461.2 million.

Furthermore, IBCL's board has approved an open offer along with Zenrock Chemicals Private Limited (ZCPL; parent of IBCL) for acquisition of up to 95,70,000 equity shares of KLSL, representing a 25.79% stake. Post-transaction, the erstwhile promoters of KLSL will continue to hold a 9.95% stake and provide transition support post the acquisition. The management plans to acquire promoter stake with a borrowing of around INR2,250 million, for which the sanction is yet to be availed. Nevertheless, the transaction completion is subject to receipt of the requisite regulatory approvals. Ind-Ra will resolve the Rating Watch post the completion of the transaction.

The rating reflects IBCL's established position in the domestic boric acid industry, supported by its long operating track record, with around 50% market share in the steel/refractory segment, and adequate liquidity profile. The company's revenue improved in FY26, driven by higher boric acid volumes, improved realisations, and increased contribution from disodium octaborate tetrahydrate (DOT).

Despite an improvement in its blended realisations, IBCL's EBITDA margins moderated in FY26, mainly due to higher raw material costs per tonne (t) and the impact of an unplanned shutdown of over 45 days in 3QFY26. Consequently, its EBITDA/tonne declined to around INR26,130/metric tonnes (MT). The management expects the margins to remain at 20%-22% over the medium term.

However, the rating is constrained by IBCL's moderate scale of operations, high dependence on boric acid, 100% import dependence for its key raw material, an inventory-driven working capital cycle, and promoter-level pledge risk. While IBCL had no debt outstanding at FYE26, it plans to avail a working capital facility of around INR600 million over the medium term. Furthermore, 100% of the promoter shareholding is pledged to secure ZCPL's acquisition debt, comprising outstanding non-convertible debentures (NCD) principal worth around INR2,550 million and a bullet repayment due in FY31. As a result, promoter deleveraging and pledged shares remain key rating monitorables.

List of Key Rating Drivers

Strengths

- Strong business profile; forward integration efforts to further strengthen business profile
- Volume-led revenue growth in FY26; 1QFY27 revenue growth in line with Ind Ra's expectation
- Credit metrics to remain healthy despite proposed debt infusion over medium term

Weaknesses

- Product/geographical concentration reflected in single product and 100% import dependency
- EBITDA per tonne moderated in FY26; likely to remain at similar levels in FY27
- Working capital intensive-operations reflected in higher raw material days; exposed to inventory losses
- 100% pledge of promoter shareholding remains key monitorable

Detailed Description of Key Rating Drivers

Strong Business Profile; Forward Integration Efforts to Further Strengthen Business Profile: IBCL has an established operating track record in boron-based chemicals, with operations dating back to 1980. The company set up its first boric acid plant in 1981 at Asangaon, Maharashtra, followed by a borax plant in 1983. It currently operates its key manufacturing facility in Pithampur, Madhya Pradesh. The company's product portfolio primarily comprises boric acid technical grade and Indian Pharmacopoeia (IP) grade, along with borax and DOT. Boric acid remains the major revenue contributor for IBCL and caters to end-user industries, such as steel, refractories, glass, ceramics, pharmaceuticals, personal care, agriculture, and industrial chemicals.

In the steel industry, IBCL's boric acid is mainly used in ramming mass and refractory/furnace-lining applications, where it acts as a heat-activated bonding/fluxing input and supports the strength and heat resistance of furnace lining materials used in steel-melting operations. As per the management, IBCL has a market share of around 50% in the boric acid requirement for the steel/refractory segment, which supports its established customer base in the domestic market. The company also has a differentiated position in IP-grade boric acid, and its disclosures state that it is the sole manufacturer of IP-grade boric acid in India with a valid Food and Drug Administration licence.

Additionally, IBCL was the first company in India to receive Bureau of Indian Standards certification for manufacturing technical grade boric acid. IBCL is focusing on improving the utilisation of its existing boric acid capacity through de-bottlenecking, along with forward integration into value-added boron derivatives such as DOT, boron oxide and zinc borate. These initiatives are likely to support product diversification and improve its revenue mix over the medium term, although a meaningful scale-up will depend on market development, customer acceptance and sustainable demand for these value-added products.

Volume-led Revenue Growth in FY26; 1QFY27 Revenue Growth in line with Ind-Ra's Expectation: IBCL's scale of operations remains medium, with revenue increasing to around INR2,155 million in FY26 (FY25: INR1,750 million), supported by higher boric acid volumes and improved product realisations. Revenue stood at INR703.56 million in 1QFY27, broadly in line with Ind-Ra's expectation of continued growth in scale. Boric acid sales volumes increased to around 15,365MT in FY26 (FY25: 14,296MT), while realisations improved to around INR127,749/MT (INR115,874/MT). The company also witnessed an increase in DOT volumes to around 983MT in FY26 (FY25: 679MT), supported by improved product acceptance and realisations. Consequently, blended realisations improved to around INR127,488/MT in FY26 (FY25: INR117,168/MT).

Over the near term, Ind-Ra expects revenue growth to be supported by the ongoing debottlenecking initiatives at the existing boric acid facility, through which the management intends to increase annual production to around 18,000MT from 14,000MT-15,000MT, without undertaking any major capex. Furthermore, IBCL plans to increase DOT production to around

1,500MT, which should support incremental revenue growth.

IBCL also plans to undertake capex of around INR900 million over FY27-FY28, proposed to be funded entirely through internal accruals. Of the total capex, around INR200 million has been earmarked for setting up 4,000MT of boron oxide capacity, while the balance is proposed for establishing an additional 10,000MT of boric acid capacity. Commercial operations from the proposed facilities are likely to commence in FY29. Accordingly, meaningful growth beyond the debottlenecking phase will depend on the timely execution and ramp-up of the proposed capacities, along with the development of markets for boric acid and downstream products such as DOT, boron oxide and zinc borate. Ind-Ra expects marginal growth in blended realisations per tonne over the medium term, led by stable boric acid realisations and an increasing contribution from value-added products.

Credit Metrics to Remain Healthy Despite Proposed Debt Infusion Over Medium Term: IBCL's credit metrics remained strong, supported by its debt-free balance sheet, healthy operating profitability and sizeable liquidity buffer. The company had no debt outstanding on its books at FYE26, resulting in nil leverage and strong coverage metrics, given the absence of finance cost and steady operating accruals. Despite the proposed working capital facility, Ind-Ra expects the company's credit metrics to remain healthy, supported by its low leverage, adequate liquidity and internal accrual generation. However, any sizeable utilisation of the working capital facility, higher-than-expected capex, large dividend payout, an increase in its inventory requirements, or a weakening in its operating performance could weaken its liquidity cushion and will remain key rating monitorable.

Product/Geographical Concentration Reflected in Single Product and 100% Import Dependency: IBCL's business profile remains constrained by its high dependence on boric acid, which contributed a dominant share to the company's revenue in FY26. While the company has initiated efforts to diversify its product portfolio through value-added boron derivatives, such as DOT, boron oxide and zinc borate, the contribution from these products remains limited at present. Furthermore, the domestic market for products such as DOT remains relatively small, which may constrain its near-term scale-up despite its higher value addition. Accordingly, a meaningful reduction in its product concentration will depend on the company's ability to develop end markets, achieve customer acceptance and scale up of downstream products over the medium term.

EBITDA/tonne Moderated in FY26; Likely to Remain at Similar Levels in 1QFY27: IBCL's EBITDA/tonne moderated to around INR26,130/MT in FY26 (FY25: INR30,680/MT), despite blended realisations improving to around INR127,488/MT (INR117,168/MT), supported by better realisations in boric acid and DOT. The benefit was offset by an increase in raw material consumption cost to around INR67,187/MT (FY25: INR54,762/MT), mainly due to higher procurement costs of imported boron ore/borates. Other fixed and operating costs also increased, partly due to lower production efficiency and an unplanned 45-day plant shutdown in 3QFY26, resulting in weaker fixed-cost absorption. However, operating profitability improved in 1QFY27, with EBITDA increasing to around INR198 million and the margin expanding to 28.15%. Management expects EBITDA margins to remain at 20%-22% over the medium term. Accordingly, Ind-Ra expects EBITDA/tonne to remain broadly stable in FY27, supported by stable blended realisations and improved capacity utilisation, while remaining sensitive to imported raw-material prices, procurement timing and inventory costs.

Working Capital-Intensive Operations Reflected in Higher Raw Material Days; Exposed to Inventory Losses: IBCL's working capital cycle is primarily driven by inventory holding, given the company's dependence on imported raw materials. The company's key raw materials, boron ore/borates, are entirely imported and are sourced mainly from Turkey, South America and North America, depending on comparative pricing and availability. Since raw material procurement generally involves advance payments and has a lead time of three-to-four months from the order date, IBCL maintains inventory of four-to-five months to ensure continuity of production. Raw materials account for 85%–90% of the company's total inventory, with the balance largely comprising finished goods. The receivable cycle remains moderate, as IBCL receives advances from certain customers, while other customers are generally extended a credit period of around 30 days. However, the creditor days remained limited due to advance payment terms for raw material procurement.

Accordingly, the company's working capital requirement is largely a function of inventory stocking rather than receivables. While adequate inventory helps mitigate supply-chain disruption risk and ensures uninterrupted plant operations, elevated inventory levels expose the company to raw material price movement and procurement-timing risk, which can impact margins and operating cash flows. However, this risk is partly mitigated by the company's ability to pass on increases in raw material prices to its customers. Its inventory management and ability to undertake timely price revisions will therefore remain a key rating monitorable.

100% Pledge of Promoter Shareholding Remains Key Monitorable: The rating is constrained by the 100% pledge of the promoter shareholding held by ZCPL in IBCL. The pledge was created to secure promoter-level acquisition financing raised for acquiring control of IBCL and does not form a part of the company's standalone borrowings. The acquisition was funded through the issuance of secured NCDs worth INR3,900 million and compulsorily convertible preference shares worth INR750 million at the promoter level. As per the management, ZCPL has already repaid a portion of the acquisition debt; however, the remaining debt is subject to a bullet repayment obligation in FY31.

IBCL has announced a dividend of INR40 per share in FY26, and the dividend inflow to ZCPL is proposed to be utilised towards the repayment of the promoter-level debt. The management stated that the dividend payout is supported by cash flows generated from the sale of certain non-operational fixed assets, which were earlier held in IBCL's books and sold to the erstwhile promoters; the proceeds from such sale have been distributed to shareholders through the dividend. The management has further stated that, after this dividend-linked repayment, future servicing and repayment of ZCPL's promoter-level debt will be met in the personal capacity of the promoters / promoter-level cash flows, and ZCPL is not expected to rely on IBCL's cash flows for future debt servicing.

Nevertheless, the complete encumbrance of the promoter shareholding and the bullet repayment obligation in FY31 remain key rating monitorables. Any stress in servicing or refinancing the promoter-level debt could result in the invocation of pledged shares, a change in the ownership structure, or increased dividend expectations from IBCL. Accordingly, the pace of promoter-level deleveraging, the release of the pledged shares, and repayment/refinancing strategy for FY31 bullet obligation will remain key rating monitorables.

Liquidity

Adequate: IBCL's liquidity is strong, supported by sizeable cash and cash equivalents of around INR2,638 million at FYE26 (FYE25: INR1,633 million) and steady internal accrual generation. The company had no debt outstanding on its books at FYE26; hence, there are no scheduled debt repayment obligations at the standalone level. However, the liquidity cushion is likely to moderate in the near term, given the announced dividend of INR40 per share in FY26, translating into an aggregate payout of around INR1,280 million in FY27, along with planned capex of around INR900 million over FY27-FY28, which the management expects to fund entirely through internal accruals.

The company's working capital cycle is largely inventory-driven, given its dependence on imported boron ore/borates with a lead time of three-to-four months. IBCL maintains four-to-five months of inventory, with raw materials accounting for 85%-90% of total inventory. The receivable cycle remains moderate, with advances from certain customers and credit of around 30 days to others. The company currently does not have working capital limits, although it plans to avail a facility of around INR600 million to support business requirements.

At the promoter level, ZCPL had raised NCDs for acquisition financing, which do not form part of IBCL's standalone borrowings. As per the management, ZCPL has repaid around INR1,350 million of NCD principal, reducing the outstanding amount to around INR2,550 million, with a bullet repayment due in FY31. The dividend inflow to ZCPL from IBCL's announced dividend is expected to be around INR440 million net of tax deducted at source (TDS) and is proposed to be utilised towards promoter-level debt repayment. The management stated that the dividend payout is supported by cash flows from the sale of certain non-operational fixed assets to the erstwhile promoters. Any higher-than-expected dividend distribution or cash upstreaming from IBCL to support promoter-level debt servicing will remain a key monitorable.

Rating Sensitivities

The Rating Watch with Negative Implications indicates that the ratings might be affirmed or downgraded upon resolution. The Rating Watch will be resolved after completion of the acquisition and open offer, and upon clarity on the final acquisition outflow, debt retained, financing terms and post-transaction liquidity.

Any Other Information

Not applicable

About the Company

IBCL, incorporated in 1980, manufactures boron-based chemicals, primarily boric acid, along with Borax, DOT, lithium hydroxide monohydrate and other derivatives. The company's products cater to industries such as steel, refractories, glass, ceramics, pharmaceuticals, personal care and agriculture, with boric acid being used in the steel industry mainly for ramming mass and refractory/furnace-lining applications. The company currently operates its key manufacturing facility at Pithampur, Madhya Pradesh with a capacity of 20,000MT for boric acid and 6,000MT for DOT.

Key Financial Indicators

Particulars	1QFY27	FY26	FY25
Revenue (INR million)	703.56	2,154.51	1,752.61
EBITDA (INR million)	198.05	441.59	458.864
EBITDA margin (%)	28.15	20.50	26.18
Gross interest coverage (x)	405	669.08	248.49
Net leverage (x)	NM	NM	NM
Source: IBCL; Ind-Ra			

Status of Non-Cooperation with Previous Rating Agency

Not applicable

Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook
	Rating Type	Rated Limits (INR million)	Current Rating	23 July 2026
Bank loan facilities	Long-term/Short-term	600	IND BBB+/Rating Watch with Negative Implications/IND A2+/Rating Watch with Negative Implications	IND BBB+/Stable/IND A2+

Disclosure on instruments / activities and names of regulators:

A list of products/activities or ratings of instruments falling under the purview of various financial sector regulators (FSRs) along with the names of respective FSRs has been duly disclosed by Ind-Ra on its website. A link to the same has been provided below for ready reference:

Rating Activities

Note: Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

Bank wise Facilities Details

Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Bank loan facilities	Low

For details on the complexity level of the instruments, please visit https://www.indiaratings.co.in/complexity-indicators.

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APPLICABLE CRITERIA AND POLICIES

Corporate Rating Methodology

Short-Term Ratings Criteria for Non-Financial Corporates

Policy for Placing Ratings on Rating Watch

The Rating Process

Evaluating Corporate Governance

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