

Press Release

Carbon Resources Private Limited

April 27, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 55.25 Cr.
Long Term Rating	ACUITE A- / Outlook: Positive
Short Term Rating	ACUITE A2+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE A-**' (**read as ACUITE A minus**) and short term rating of '**ACUITE A2+**' (**read as ACUITE A two plus**) to the Rs. 55.25 crore bank facilities of Carbon Resources Private Limited (CRPL). The outlook is '**Positive**'.

CRPL is a Kolkata-based company promoted by Mr. Suresh Kumar Jalan in 1991. Currently, the second generation promoters consisting of Mr. Abhinav Jalan and Mr. Abhishek Jalan are actively involved in the business. The company manufactures carbon products, such as, Calcined Petroleum Coke (CPC) and Carbon Electrode Paste (CEP) and has an installed capacity of 51,800 tonnes per annum (TPA) and 38,000 TPA, respectively. The manufacturing facilities are located at Barauni (Bihar) and Chirang (Assam) for CPC and Giridih (Jharkhand) for CEP.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of CRPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

Incorporated in 1991, CRPL has a track record of over two decades in the manufacturing of CPC and CEP. The promoter, Mr. Suresh Kumar Jalan has experience of over two decades in the industry. The second generation promoters are currently actively involved in the day to day operations of the company.

- **Healthy financial risk profile**

The robust financial risk profile is marked by healthy net worth, comfortable gearing and healthy debt protection measures. The net worth stood at around Rs.52.60 crore as on 31 March, 2018 as against Rs.30.32 crore in the previous year. The gearing (debt equity) stood at 0.73 times as on 31 March, 2018 compared to 0.97 times in the previous year. The total debt of Rs.38.35 crore as on 31 March, 2018 consists of term loan of Rs2.62 crore, Rs.1.70 crore of unsecured loan from directors and working capital facility of Rs.34.03 crore. The term loan has been repaid in the current financial year from the cash accruals. The interest coverage ratio improved and stood healthy at 12.22 times in FY2018 as against 3.15 times in FY2017. The DSCR stood comfortable at 5.95 times in FY2018 compared to 2.78 times in FY2017. Moreover, the NCA/TD stood at 0.67 times in FY2018. Going forward, Acuité expects continuous improvement in the overall financial health of the company in the absence of any significant debt funded capex plan over the medium term as the ongoing capex from own sources of ~ Rs.30.00 crore is at the verge of completion.

- **Healthy growth in revenue and profitability**

CRPL registered a 70.88 percent revenue growth in FY2018. Revenue increased to Rs.229.62 crore in FY2018 from Rs.134.37 crore in FY2017. The rise is on account of improvement in capacity utilization and significant improvement in realisation per unit. Also during the current year, the company booked revenue of Rs.334.21 crore till 31st December 2018 (Provisional).

The operating profitability margins improved to 15.12 percent in FY2018 as compared to 8.78 percent in the previous year. The increase in the profitability margins is on account of significant improvement in realisation without corresponding rise in the raw material cost. The improvement in realisation could be attributed to the positive demand outlook in the end user industry specially graphite electrode, ferro alloys and aluminum. The improvement in top-line and margins have led to the increase in net accruals which stood at Rs.25.81 crore in FY2018 as compared to Rs.6.76 crore in the previous year.

- **Established relations with reputed customers and suppliers**

Over the years, the company has been able to establish comfortable relations with their customers and suppliers. CRPL caters to mainly the aluminum, graphite electrode and steel industry for offtake of CPC and ferro alloys players for CEP. The company derives around 50 percent of their revenues from the CEP unit and around 50 percent from their CPC units. The customers of the company for their CEP division comprise of players such as Maithan Alloys Limited and Jindal Stainless Limited, whereas for CPC division the company caters to Hindalco Industries Limited, Graphite India Limited and HEG Limited to name a few. On the other hand, the company procures their key raw material, petroleum coke, from major oil refineries including Indian Oil Corporation Limited and Numaligarh Refinery Limited for manufacturing of CPC; while for CEP the major raw material in the form of Electrically Calcined Anthracite (ECA) is imported from China.

Weaknesses

- **Cyclical industry and susceptibility of profitability to volatility in raw material prices**

The performance of CRPL is dependent on the cyclical nature in the end user industries viz. aluminum, graphite and ferro alloys. CRPL is also exposed to fluctuations in the raw material prices. Any sharp upward movement in the raw material prices and the inability of the company to pass on the increased cost of raw materials may result in a dip in operating margins.

Outlook: Positive

Acuité believes that CRPL credit profile will be benefitted in the medium term by continuous improvement in the profitability metrics, expected improvement in the scale of operations backed by the experienced management and positive end user industry outlook.

Upgrade Scenario

Sustenance of the scale of operation and profitability. The Debt-EBITDA to remain below 0.50 times.

Downside Scenario

Operating performance deteriorates because of significant deterioration in realisation thereby weakening profitability. Stretch in the working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	229.62	134.37	127.29
EBITDA	Rs. Cr.	34.73	11.80	9.61
PAT	Rs. Cr.	22.28	4.38	2.29
EBITDA Margin	(%)	15.12	8.78	7.55
PAT Margin	(%)	9.70	3.26	1.80
ROCE	(%)	41.50	16.33	12.34
Total Debt/Tangible Net Worth	Times	0.73	0.97	1.29
PBDIT/Interest	Times	12.22	3.15	1.98
Total Debt/PBDIT	Times	1.10	2.48	3.30
Gross Current Assets (Days)	Days	117	123	107

Status of non-cooperation with previous CRA (if applicable)

CRISIL vide its press release dated March 21, 2018 had denoted the rating of Carbon Resources Private Limited as 'CRISIL BBB+/ Stable/CRISIL A2 (ISSUER NOT COOPERATING; Rating Migrated)'

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
20-Dec-2018	Cash Credit	Long Term	35.50	ACUITE A- / Positive (Re-affirmed)
	Term Loans	Long Term	8.15	ACUITE A- / Positive (Withdrawn)
	Proposed Long Term Loan	Long Term	8.15	ACUITE A- / Positive (Assigned)
	Letter of Credit	Short Term	3.10	ACUITE A2+ (Re-affirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	8.00	ACUITE A2+ (Re-affirmed)
	Proposed	Short Term	0.50	ACUITE A2+ (Re-affirmed)
05-Dec-2017	Cash Credit	Short Term	35.50	ACUITE A- / Stable (Assigned)
	Term Loan	Long Term	8.15	ACUITE A- / Stable (Assigned)
	Letter of Credit	Short Term	3.10	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	8.00	ACUITE A2+ (Assigned)
	Proposed Short Term Loan	Short Term	0.50	ACUITE A2+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A- / Positive (Re-affirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A- (Withdrawn)
Proposed Long Term Loans	Not Applicable	Not Applicable	Not Applicable	8.15	ACUITE A- (Withdrawn)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	27.60	ACUITE A2+

					(Re-affirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.90	ACUITE A2+ (Re-affirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A2+ (Withdrawn)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	2.75	ACUITE A2+ (Assigned)

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About Acuité Ratings & Research:

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