



Press Release

Carbon Resources Private Limited

February 16, 2022
Rating Assigned and Upgraded

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---|---------------------|-------------------------------|-----------------------|
| Bank Loan Ratings | 142.20 | ACUITE A+ Stable Upgraded | - |
| Bank Loan Ratings | 20.00 | - | ACUITE A1+ Assigned |
| Bank Loan Ratings | 340.76 | - | ACUITE A1+ Upgraded |
| Total Outstanding Quantum (Rs. Cr) | 502.96 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 0.00 | - | - |

Rating Rationale

Acuite has upgraded the long term rating to **'ACUITE A+' (read as ACUITE A plus)** from **'ACUITE A' (read as ACUITE A)** and short term rating to **'ACUITE A1+' (read as ACUITE A one plus)** from **'ACUITE A1' (read as ACUITE A one)** to Rs. 482.96 Cr and assigned the short term rating of **'ACUITE A1+' (read as ACUITE A one plus)** to Rs. 20.00 Cr bank facilities of Carbon Resources Private Limited. The outlook is **'Stable'**.

The rating upgrade is driven by an improvement in the overall business risk profile of the company marked by sharp increase in their operating income. The rating upgrade also factors in the established position of the company in the carbon electrode industry in Eastern India and the healthy financial risk profile of the company characterized by strong debt coverage indicators. These strengths are partly offset by the cyclicity in the end user industries.

About the Company

Carbon Resources Private Limited (CRPL) was incorporated in 1991 by Mr. Suresh Kumar Jalan. Currently, the company is headed by Mr. Suresh Kumar Jalan, Mrs. Renu Devi Jalan, Mr. Abhinav Kumar Jalan and Mr. Abhishek Jalan. The company started its operations with distillation of Crude Coal Tar and over a period, it diversified into manufacturing Calcined Petroleum Coke (CPC) and Carbon Electrode Paste (CEP). The company has undertaken backward integration for their CEP unit. The company has CPC manufacturing facilities located at Barauni, Bihar and Chirang, Assam with a total installed capacity of 51800 TPA and has CEP manufacturing facility located at Giridih, Jharkhand with an installed capacity of 48000 TPA, which is being further enhanced to 60000 MTPA in the near term. Further CRPL has diversified its business line i.e. trading of manganese ore from 2019. The company is buying manganese ore from South Africa and selling to existing customers, who are ferro alloy producers.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of CRPL to arrive

at the rating.

Key Rating Drivers

Strengths

• Long operational track record and experienced management

Carbon Resources Private Limited (CRPL) has a long operational track record of more than three decades in the industry. Mr. Suresh Kumar Jalan is the key promoter of the company. Currently, the second generation promoters are managing the day to day operations of the company. Over the years, they have been able to establish comfortable relationships with reputed customers in the metals and the electrode industries. Acuité believes that the promoters' extensive expertise in carbon products and the long track record of operations will support the company's growth plans going forward.

• Strong business risk profile supported by diversified operations

The strong business risk profile of the company is supported by the diversified operations. CRPL has achieved revenues of Rs.833.15 Cr in FY2021 as compared to revenues of Rs.455.80 Cr in FY2020, thereby registering a y-o-y growth of 83 per cent. The company has achieved revenues of around Rs.1411.50 Cr till December 2021 (Provisional). The significant increase of trading activities has led to a turnover growth in FY'21 and FY'22 (provisional). The company has generated revenue of Rs 250.03 Cr. from manufacturing and Rs.592.20 Cr from trading segment in FY2021 and Rs 394.60 Cr from manufacturing and Rs.1016.90 Cr from this segment in FY2022 (Provisional) till December, 2021. Acuité believes that going forward, the revenue is expected to increase further on account of the commencement of operations of the new plant in Bobbili (Andhra Pradesh) for CEP segment. The plant is expected to be operational from January, 2023.

The operating margins have moderated to 7.05 per cent in FY 2021 as compared to 14.70 per cent in FY2020, due to lower trading margins at approximately 2.5-3 per cent. While the manufacturing margins have increased since FY2020 on account of backward integration, the increased revenue contribution from trading business lead to operating margins at 12.11 per cent in FY2022 (provisional).

Acuité believes that the sustainability in the revenue growth and profitability margins would be a key monitorable going forward.

• Established relationship with reputed customers and suppliers

The company has built strong relationship with reputed domestic customers. The major customers for Carbon Electrode Paste (CEP) are in the ferro alloy industry, namely, Jindal Stainless Limited, Abhijeet Ferrotech Limited, Maithan Alloys Limited and Berry Alloys Limited. The customers for Calcined Petroleum Coke (CPC) are primarily in aluminum, steel & graphite electrodes industry, namely, Hindalco Industries Ltd, SAIL, and HEG Limited. The company has also established healthy relationship with the suppliers, viz Indian Oil Corporation Limited (IOCL), SAIL, Tata Steel Limited and Numaligarh Refinery Limited, to name a few. CRPL procures their key raw material, petroleum coke, from the major oil refineries.

Acuité believes that CRPL's long and healthy relationships with suppliers and reputed customers will continue to strengthen its business position.

• Healthy financial risk profile

The company's robust financial risk profile is marked by healthy networth, low gearing and strong debt protection metrics. The tangible net worth of the company improved to Rs.294.52 Cr as on March 31, 2021 from Rs.244.21 Cr as on March 31, 2020 due to accretion of profits. Gearing of the company stood low as Debt to Equity ratio stood at 0.27 as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.99 times as on March 31, 2021 as against 0.31 times as on March 31, 2020. The strong debt protection metrics of the company is marked by Interest Coverage Ratio (ICR) at 20.66 times as on March 31, 2021 and Debt Service Coverage Ratio (DSCR) at 13.06 times as on March 31, 2021. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.68 times as on March 31, 2021.

Acuité believes that going forward the financial risk profile of the company will remain healthy backed by steady accruals and no major debt funded capex plans.

Weaknesses

• Working capital intensive nature of operations

The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 157 days as on March 31, 2021 as compared to 156 days as on March 31, 2020. The high GCA days are on account of moderate debtor levels and inventory levels. The debtor period stood 64 days as on March 31, 2021 as compared to 53 days as on March 31, 2020. The increase in debtor days is primarily due to increase in volume of trading business in FY2021. Further, the inventory holding stood at 73 days as on March 31, 2021 as compared to 27 days as on 31st March 2020. Going forward, Acuité believes that the operations would remain working capital intensive mainly due to moderate inventory levels and moderate collection mechanism.

Rating Sensitivities

- Sustainability in revenue growth and margins
- Elongation of working capital cycle

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is strong marked by net cash accruals of Rs.53.36 Cr as on March 31, 2021 as against long term debt repayment of Rs. 0.91 Cr over the same period. The fund based limit remained unutilised over seven months ended December 2021. The company has neither availed any loan moratorium nor applied for any additional covid loan. The current ratio stood comfortable at 1.63 times as on March 31, 2021. However, the working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 157 days as on March 31, 2021 as compared to 156 days as on March 31, 2020. Acuité believes that going forward the company will maintain strong liquidity position due to steady accruals and no major debt funded capex plans.

Outlook: Stable

Acuité believes that the outlook on CRPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management, sound business position and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile or delay in completion of its projects or further elongation in its working capital cycle.

Key Financials

| Particulars | Unit | FY 21 (Actual) | FY 20 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 833.15 | 455.80 |
| PAT | Rs. Cr. | 42.50 | 64.78 |
| PAT Margin | (%) | 5.10 | 14.21 |
| Total Debt/Tangible Net Worth | Times | 0.27 | 0.04 |
| PBDIT/Interest | Times | 20.66 | 28.94 |

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|------------|-----------------|--------------------------------|
| 05 Jul 2021 | Bank Guarantee | Short Term | 0.76 | ACUITE A1 (Reaffirmed) |
| | Cash Credit | Long Term | 33.00 | ACUITE A Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 7.00 | ACUITE A1 (Reaffirmed) |
| | Cash Credit | Long Term | 5.00 | ACUITE A Stable (Reaffirmed) |
| | Cash Credit | Long Term | 5.00 | ACUITE A Stable (Assigned) |
| | Proposed Bank Facility | Short Term | 59.00 | ACUITE A1 (Assigned) |
| | Letter of Credit | Short Term | 7.00 | ACUITE A1 (Reaffirmed) |
| | Letter of Credit | Short Term | 40.00 | ACUITE A1 (Reaffirmed) |
| | Letter of Credit | Short Term | 50.00 | ACUITE A1 (Reaffirmed) |
| | Letter of Credit | Short Term | 110.00 | ACUITE A1 (Reaffirmed) |
| | Letter of Credit | Short Term | 35.00 | ACUITE A1 (Reaffirmed) |
| | Cash Credit | Long Term | 20.00 | ACUITE A Stable (Reaffirmed) |
| | Cash Credit | Long Term | 20.00 | ACUITE A Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 40.00 | ACUITE A1 (Reaffirmed) |
| | Letter of Credit | Short Term | 51.00 | ACUITE A1 (Reaffirmed) |
| | Cash Credit | Long Term | 0.20 | ACUITE A Stable (Reaffirmed) |
| 31 Mar 2021 | Cash Credit | Long Term | 25.00 | ACUITE A Stable (Reaffirmed) |
| | Cash Credit | Long Term | 10.00 | ACUITE A Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 7.00 | ACUITE A1 (Reaffirmed) |
| | Letter of Credit | Short Term | 27.50 | ACUITE A1 (Reaffirmed) |
| | Letter of Credit | Short Term | 40.00 | ACUITE A1 (Reaffirmed) |
| | Cash Credit | Long Term | 5.00 | ACUITE A Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 40.00 | ACUITE A1 (Reaffirmed) |
| | Letter of Credit | Short Term | 80.00 | ACUITE A1 (Reaffirmed) |
| | Letter of Credit | Short Term | 29.79 | ACUITE A1 (Reaffirmed) |
| | Cash Credit | Long Term | 0.20 | ACUITE A Stable (Reaffirmed) |
| | | Short | | |

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|-------------|------------------------|------------|-------|--|
| | Bank Guarantee | Term | 0.76 | ACUITE A1 (Reaffirmed) |
| | Cash Credit | Long Term | 5.00 | ACUITE A Stable (Reaffirmed) |
| | Cash Credit | Long Term | 10.00 | ACUITE A Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 15.00 | ACUITE A1 (Reaffirmed) |
| | Letter of Credit | Short Term | 40.00 | ACUITE A1 (Reaffirmed) |
| | Cash Credit | Long Term | 20.00 | ACUITE A Stable (Reaffirmed) |
| 29 Jun 2020 | Cash Credit | Long Term | 10.00 | ACUITE A Stable (Reaffirmed) |
| | Cash Credit | Long Term | 5.00 | ACUITE A Stable (Reaffirmed) |
| | Proposed Bank Facility | Long Term | 20.00 | ACUITE A Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 7.00 | ACUITE A1 (Reaffirmed) |
| | Cash Credit | Long Term | 20.00 | ACUITE A Stable (Reaffirmed) |
| | Cash Credit | Long Term | 20.00 | ACUITE A Stable (Reaffirmed) |
| | Cash Credit | Long Term | 25.00 | ACUITE A Stable (Reaffirmed) |
| | Cash Credit | Long Term | 0.20 | ACUITE A Stable (Reaffirmed) |
| | Letter of Credit | Short Term | 30.00 | ACUITE A1 (Reaffirmed) |
| | Letter of Credit | Short Term | 15.00 | ACUITE A1 (Reaffirmed) |
| | Letter of Credit | Short Term | 27.50 | ACUITE A1 (Reaffirmed) |
| | Letter of Credit | Short Term | 80.00 | ACUITE A1 (Reaffirmed) |
| | Bank Guarantee | Short Term | 0.76 | ACUITE A1 (Reaffirmed) |
| | Proposed Bank Facility | Short Term | 94.79 | ACUITE A1 (Reaffirmed) |
| 04 Jun 2020 | Cash Credit | Long Term | 5.00 | ACUITE A Stable (Upgraded from ACUITE A- Positive) |
| | Letter of Credit | Short Term | 10.00 | ACUITE A1 (Upgraded from ACUITE A2+) |
| | Cash Credit | Long Term | 2.00 | ACUITE A Stable (Upgraded from ACUITE A- Positive) |
| | Letter of Credit | Short Term | 10.00 | ACUITE A1 (Upgraded from ACUITE A2+) |
| | Cash Credit | Long Term | 0.20 | ACUITE A Stable (Upgraded from ACUITE A- Positive) |
| | Letter of Credit | Short Term | 22.29 | ACUITE A1 (Upgraded from ACUITE A2+) |
| | Bank Guarantee | Short Term | 0.76 | ACUITE A1 (Upgraded from ACUITE A2+) |
| | Cash Credit | Long Term | 5.00 | ACUITE A Stable (Upgraded from ACUITE A- Positive) |
| | Proposed Bank Facility | Short Term | 0.50 | ACUITE A2+ (Withdrawn) |

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|-------------|--------------------------|------------|-------|-----------------------------------|
| 27 Apr 2019 | Letter of Credit | Short Term | 2.75 | ACUITE A2+ (Assigned) |
| | Cash Credit | Long Term | 24.00 | ACUITE A- Positive (Reaffirmed) |
| | Cash Credit | Long Term | 5.00 | ACUITE A- (Withdrawn) |
| | Letter of Credit | Short Term | 27.60 | ACUITE A2+ (Reaffirmed) |
| | Bank Guarantee | Short Term | 0.90 | ACUITE A2+ (Reaffirmed) |
| | Proposed Long Term Loan | Long Term | 8.15 | ACUITE A- (Withdrawn) |
| 20 Dec 2018 | Cash Credit | Long Term | 35.50 | ACUITE A- Positive (Reaffirmed) |
| | Term Loan | 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+ (Reaffirmed) |
| | Bank Guarantee | Short Term | 8.00 | ACUITE A2+ (Reaffirmed) |
| | Proposed Short Term Loan | Short Term | 0.50 | ACUITE A2+ (Reaffirmed) |
| 05 Dec 2017 | Cash Credit | Long 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

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Rating |
|---------------------|----------------|----------------------|------------------|----------------|----------------|-------------------|-------------------------------|
| State Bank of India | Not Applicable | Bank Guarantee (BLR) | Not Applicable | Not Applicable | Not Applicable | 0.76 | ACUITE A1+ Upgraded |
| State Bank of India | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 0.20 | ACUITE A+ Stable Upgraded |
| Axis Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 20.00 | ACUITE A+ Stable Upgraded |
| ICICI Bank Ltd | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 5.00 | ACUITE A+ Stable Upgraded |
| HDFC Bank Ltd | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 20.00 | ACUITE A+ Stable Upgraded |
| CITI Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 33.00 | ACUITE A+ Stable Upgraded |
| Indusind Bank Ltd | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 5.00 | ACUITE A+ Stable Upgraded |
| ICICI Bank Ltd | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 7.00 | ACUITE A1+ Upgraded |
| Axis Bank | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 51.00 | ACUITE A1+ Upgraded |
| HDFC Bank Ltd | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 110.00 | ACUITE A1+ Upgraded |
| Yes Bank Ltd | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 50.00 | ACUITE A1+ Upgraded |
| CITI Bank | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 7.00 | ACUITE A1+ Upgraded |
| Indusind Bank Ltd | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 35.00 | ACUITE A1+ Upgraded |
| DBS Bank Ltd | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 40.00 | ACUITE A1+ Upgraded |
| IDFC Bank Ltd | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 40.00 | ACUITE A1+ Upgraded |
| | | | | | | | ACUITE |

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|----------------|----------------|-----------------------------------|----------------|----------------|----------------|-------|-------------------------------|
| HDFC Bank Ltd | Not Applicable | Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 20.00 | A1+ Assigned |
| Not Applicable | Not Applicable | Proposed Short Term Bank Facility | Not Applicable | Not Applicable | Not Applicable | 59.00 | ACUITE A+ Stable Upgraded |

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About Acuité Ratings & Research

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