

Press Release

Carbon Resources Private Limited

April 20, 2023



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	98.20	ACUITE A+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	404.76	-	ACUITE A1+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	502.96	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the **long-term rating of 'ACUITE A+' (read as ACUITE A plus) and the short term rating of ACUITE A1+ (Read as Acuite A One Plus)** to the Rs.502.96 Cr bank facilities of Carbon Resources Private Limited (CRPL). The rating has been withdrawn on Acuite's policy of withdrawal of ratings and on account of the request received from the company, and the NOCs received from the bankers.

Rationale for the rating

The rating is driven by sound business risk profile of the company supported by sharp increase in their operating income. The rating 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 cyclical nature in the end user industries.

The team has received the withdrawal request from the client because the client does not want to continue the further rating. No Objection Certificates (NOC) for the same has been received from all the lenders.

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

Acuité 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.2269.01 Cr in FY2022 as compared to revenues of Rs.833.15 Cr in FY2021, thereby registering a y-o-y growth of 172 per cent. The company has achieved revenues of around Rs.1950 Cr till December 2022 (Provisional). The significant increase of trading activities has led to a turnover growth in FY'21 and FY'22. 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 operating margins stood at 15.77 per cent in FY 2022 as compared to 7.00 per cent in FY2021. The manufacturing margins improved on account of backward integration into manufacturing of Electrically Calcined Antracite (ECA) at Giridih plant. In FY2022, the manufacturing margins are more than 25 per cent. 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 network, low gearing and strong debt protection metrics. The tangible net worth of the company improved to Rs.582.59 Cr as on March 31, 2022 from Rs.316.06 Cr as on March 31, 2021 due to accretion of profits. Gearing of the company stood low as Debt to Equity ratio stood at 0.81 as on March 31, 2022. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.09 times as on March 31, 2022 as against 0.93 times as on March 31, 2021. The strong debt protection metrics of the company is marked by Interest Coverage Ratio (ICR) at 43.30 times as on March 31, 2022 and Debt Service Coverage Ratio (DSCR) at 31.80 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.58 times as on March 31, 2022. 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 135 days as on March 31, 2022 as compared to 151 days as on March 31, 2021. The high GCA days are on account of moderate debtor levels. The debtor period stood moderate at 71 days as on March 31, 2022 as compared to 64 days as on March 31, 2021. The increase in debtor days is primarily due to increase in volume of trading business in FY2022. Further, the inventory holding stood at 29 days as on March 31, 2022 as compared to 73 days as on 31 st March 2021. Going forward, Acuité believes that the operations would remain working capital intensive mainly due to moderate collection mechanism.

Rating Sensitivities

None

Material covenants

None

Liquidity Position: Strong

The company's liquidity is strong marked by net cash accruals of Rs.277.30 Cr as on March 31, 2022 as against long term debt repayment of Rs. 0.20 Cr over the same period. The average fund based limit utilised at 55 per cent over six months ended December 2022. The current ratio stood comfortable at 1.50 times as on March 31, 2022. The company has cash and bank balances stood at Rs.56.17 Cr as on March 31, 2022. However, the working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 135 days as on March 31, 2022 as compared to 151 days as on March 31, 2021. Acuité believes that going forward the company will maintain strong liquidity position due to steady accruals and no major debt funded capex plans.

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	2269.01	833.15
PAT	Rs. Cr.	266.49	42.50
PAT Margin	(%)	11.74	5.10
Total Debt/Tangible Net Worth	Times	0.81	0.76
PBDIT/Interest	Times	43.30	23.08

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels

of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Apr 2022	Cash Credit	Long Term	33.00	ACUITE A+ Stable (Reaffirmed)
	Letter of Credit	Short Term	110.00	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A+ Stable (Reaffirmed)
	Letter of Credit	Short Term	51.00	ACUITE A1+ (Reaffirmed)
	Proposed Bank Facility	Short Term	1.00	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	40.00	ACUITE A1+ (Reaffirmed)
	Bank Guarantee	Short Term	0.76	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	7.00	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	65.00	ACUITE A1+ (Reaffirmed)
	Letter of Credit	Short Term	40.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	0.20	ACUITE A+ Stable (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A+ Stable (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	20.00	ACUITE A+ Stable (Reaffirmed)
	Letter of Credit	Short Term	20.00	ACUITE A1+ (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Letter of Credit	Short Term	40.00	ACUITE A1+ (Upgraded from ACUITE A1)
	Cash Credit	Long Term	20.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Cash Credit	Long Term	0.20	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Cash Credit	Long Term	33.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Letter of Credit	Short Term	110.00	ACUITE A1+ (Upgraded from ACUITE A1)
	Bank Guarantee	Short Term	0.76	ACUITE A1+ (Upgraded from ACUITE A1)
	Letter of Credit	Short Term	35.00	ACUITE A1+ (Upgraded from ACUITE A1)

16 Feb 2022	Letter of Credit	Short Term	7.00	ACUITE A1+ (Upgraded from ACUITE A1)
		Short Term		
05 Jul 2021	Letter of Credit	Term	20.00	ACUITE A1+ (Assigned)
	Proposed Bank Facility	Long Term	59.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Letter of Credit	Short Term	51.00	ACUITE A1+ (Upgraded from ACUITE A1)
	Cash Credit	Long Term	5.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Letter of Credit	Short Term	50.00	ACUITE A1+ (Upgraded from ACUITE A1)
	Cash Credit	Long Term	20.00	ACUITE A+ Stable (Upgraded from ACUITE A Stable)
	Letter of Credit	Short Term	7.00	ACUITE A1+ (Upgraded from ACUITE A1)
	Letter of Credit	Short Term	40.00	ACUITE A1+ (Upgraded from ACUITE A1)
	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)
	Bank Guarantee	Short 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)
	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)
		Bank Guarantee	Short Term	0.76	ACUITE A1 (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)
		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	0.20	ACUITE A Stable (Upgraded from

04 Jun 2020				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)
	Cash Credit	Long Term	5.00	ACUITE A Stable (Upgraded from ACUITE A- Positive)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.76	ACUITE A1+ Reaffirmed & Withdrawn
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A+ Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	0.20	ACUITE A+ Reaffirmed & Withdrawn
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A+ Reaffirmed & Withdrawn
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A+ Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A+ Reaffirmed & Withdrawn
CITI Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	33.00	ACUITE A+ Reaffirmed & Withdrawn
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	51.00	ACUITE A1+ Reaffirmed & Withdrawn
Yes Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE A1+ Reaffirmed & Withdrawn
CITI Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A1+ Reaffirmed & Withdrawn
DBS Bank	Not	Letter of	Not	Not	Not			ACUITE A1+

Ltd	Applicable	Credit	Applicable	Applicable	Applicable	Simple	40.00	Reaffirmed & Withdrawn
IDFC First Bank Limited	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A1+ Reaffirmed & Withdrawn
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A1+ Reaffirmed & Withdrawn
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	65.00	ACUITE A1+ Reaffirmed & Withdrawn
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	130.00	ACUITE A1+ Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A1+ Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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