



Press Release
GOA CARBON LIMITED
November 20, 2023
Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	69.00	ACUITE BBB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	210.00	-	ACUITE A2 Reaffirmed & Withdrawn
Bank Loan Ratings	140.00	-	Not Applicable Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	419.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long-term rating of ‘**ACUITE BBB+**’ (read as **ACUITE triple B plus**) and the short-term rating to ‘**ACUITE A2**’ (read as **ACUITE A two**) on the Rs.279.00 Cr. bank facilities of Goa Carbon Limited (GCL). Acuite has also withdrawn the short term rating on the Rs 140.00 Cr **Proposed** Bank Facilities of GCL.

The withdraw is on account of the request received from the company and NOC received from the banker, as per Acuite’s policy of withdrawal of ratings.

Rating for reaffirmation

The rating continues to draw comfort from extensive experience of the promoters, long track record of company operations, and sequential improvement in the business risk profile on the back of structural changes in the end user industry. The rating further considers healthy network, and healthy coverage indicators of GCL. The rating is however constrained on account of susceptibility of revenues to fluctuation in raw material prices. Further the rating also imparts a negative bias on account of customer concentration risk.

About the Company

Goa Carbon Limited (GCL) was incorporated in 1967 with its registered office at Dempo House, Campal, Panaji-Goa. GCL is engaged in manufacturing and marketing Calcined Petroleum Coke (CPC). It has manufacturing facilities located in Goa, Bilaspur and Paradeep with combined capacity of 308,000 metric tonnes per annum. Mr. Shrinivas V Dempo is the chairman of the company. GCL is a part of Dempo Group which has an established presence in Iron Ore mining and exports, Construction, Publishing, Ship Building, Travel and Trade etc.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of the company, for arriving at this rating.

Key Rating Drivers

Strengths

Extensive experience, reputed clientele and established track record of operations in the CPC segment

GCL is a part of Dempo Group, which was established in 1941. The group has diversified operations with a presence in Iron Ore mining and exports, Construction, Publishing, Ship Building, Travel and Trade, among others. GCL has more than five decades of track record in the production of CPC and hence has an established market position amongst the leading producers of CPC in India. The chairman of the company, Mr. Shrinivas Dempo has an extensive experience of over three decades in the industry. GCL caters to reputed companies among the Aluminium Industry, Graphite Industry and Steel Industry which includes Hindalco Industries Limited (HIL), Vedanta Aluminium Limited (VAL), The Kerala Minerals and Metals Limited (KMML), Steel Authority of India Ltd (SAIL) to name a few. GCL has also healthy relations developed over a decade with the various global raw material suppliers such as Kuwait Petroleum Corporation, Oxbow Carbon & Minerals LLC, Mitsubishi Corporation Limited among others.

Acuité believes that the established position in the industry and healthy relations with both customers as well as suppliers will help the company to maintain a stable business profile in the CPC segment.

Improvement in business risk profile

The business risk profile of the company witnessed improvement reflected by growth in revenues during FY2023 and 9MFY2024. The revenue from operations of GCL improved to Rs. 1364.36 Cr. in FY2023 against Rs. 766.12 Cr. in FY2022. Further, the revenues during 9MFY2024 stood in similar range at Rs. 606.42 Cr. The surge in the demand of aluminium while tightening of its supply marked by geo-political issues and consequent sanctions on Russia, which contributes almost 6 percent of the global aluminium supply, has resulted in an implicit effect on the pricing of CPC. The average selling price of the CPC during FY20-21 stood at around Rs. 22,000 per metric tonne which grew to Rs. 42,000 per metric tonne in FY21-22, while as on 9MFY23 the average selling price stood as high as Rs.77,000 per metric tonne.

Acuité believes that GCL's operating performance is susceptible to the changes in pricing of CPC and the same will remain critical for its future growth.

Weaknesses

Profitability susceptible to price volatility and cyclical nature of the industry

Calcined Petroleum Coke (CPC) is produced from "green" petroleum coke, which is a byproduct of oil refining. CPC is extensively used to make anodes for the aluminium, steel and titanium smelting industry. The company performance remains vulnerable to cyclical nature in the aluminium and steel sector as demand for the same depends on the performance of the end user segments such as electronics, aviation, real estate etc. Although the revenues have increased during FY2023 & FY2022, it is not a result of corresponding increased production levels. The actual capacities have remained utilised at around 64 percent in FY2021, 59 percent during FY2022 while 55 percent during 9MFY2023. Further, the operating margins although improved have stood at 10.72% in FY2023 against 7.40% in FY2022 and 1.78% in FY2021. The operating performance of the company is exposed to fluctuations in the prices of raw materials as well as realization from finished goods.

Exposure to customer concentration risk

GCL's customer base is heavily dominated by Hindalco Industries Limited (HIL) and Vedanta Aluminium & Power Limited (VAPL) which together account for more than 90 percent of the total revenues. However, HIL and VAPL being leading aluminium producers the risk is mitigated to quite some extent.

Acuité believes that the ability of the company to expand its customer base in order to further mitigate the risk will be critical.

Rating Sensitivities

- Sustaining growth in revenue while maintaining stable operating & profitability margins

- Timely collection of receivables used in maintaining margin money required for raising additional debt

All Covenants

Not Applicable.

Liquidity Position

Adequate

GCL's liquidity is adequate. The cash accruals stood at Rs. 82.76 Cr. in FY2023 against Rs.39.88 Cr. in FY2022. while there have no major debt obligations within the period as the long-term loan of Rs. 9 Cr. carries a moratorium of around 2 years and repayment to start from FY2024. The company majorly works on LCs and Buyer's Credit. However, GCL keeps major cash balances as margin money with the bank to raise additional LC/BG limits. Acuite` believes that the ability of the company to manage its liquidity, so as to ensuring timely retirement of LC will be critical.

Outlook: Not Applicable

Other Factors affecting Rating

Not Applicable.

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1364.36	766.12
PAT	Rs. Cr.	80.59	37.78
PAT Margin	(%)	5.91	4.93
Total Debt/Tangible Net Worth	Times	2.27	2.09
PBDIT/Interest	Times	3.38	3.65

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

Not Applicable.

Any other information

None

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>
- 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, Acuite 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
06 Mar 2023	Letter of Credit	Short Term	204.00	ACUITE A2 (Reaffirmed)
	Working Capital Term Loan	Long Term	4.00	ACUITE BBB+ Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	140.00	ACUITE A2 (Assigned)
	Letter of Credit	Short Term	6.00	ACUITE A2 (Assigned)
	Working Capital Term Loan	Long Term	5.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	60.00	ACUITE BBB+ Stable (Reaffirmed)
14 Apr 2022	Cash Credit	Long Term	13.50	ACUITE BBB+ Stable (Upgraded from ACUITE BBB- Stable)
	Letter of Credit	Short Term	131.50	ACUITE A2 (Upgraded from ACUITE A3+)
	Proposed Bank Facility	Short Term	54.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Working Capital Term Loan	Long Term	5.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	5.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Working Capital Term Loan	Long Term	4.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	60.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB- Stable)
08 Oct 2021	Bank Guarantee	Short Term	5.00	ACUITE A3+ (Withdrawn)
	Bank Guarantee	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	13.50	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	63.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	60.00	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	131.50	ACUITE A3+ (Reaffirmed)
15 Jul 2020	Cash Credit	Long Term	8.00	ACUITE BBB- (Withdrawn)
	Letter of Credit	Short Term	135.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Long Term	8.00	ACUITE BBB- Stable (Downgraded from ACUITE BBB Stable)
	Bank Guarantee	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Short Term	50.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A3+ (Withdrawn)
	Bank Guarantee	Short Term	15.00	ACUITE A3+ (Reaffirmed)
		Long		ACUITE BBB- Stable (Downgraded from

	Cash Credit	Term	60.00	ACUITE BBB	Stable)
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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	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	60.00	ACUITE BBB+ Reaffirmed & Withdrawn
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A2 Reaffirmed & Withdrawn
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	204.00	ACUITE A2 Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	140.00	Not Applicable Withdrawn
Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	4.00	ACUITE BBB+ Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	5.00	ACUITE BBB+ 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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