



Press Release
Goa Carbon Limited
November 05, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	85.00	ACUITE A Stable Assigned	-
Bank Loan Ratings	340.00	-	ACUITE A1 Assigned
Total Outstanding Quantum (Rs. Cr)	425.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned the long-term rating at '**ACUITE A**' (read as **ACUITE A**) and the short-term rating to '**ACUITE A1**' (read as **ACUITE A one**) on the Rs.425.00 Cr. bank facilities of Goa Carbon Limited (GCL). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned factors in the established track record of the company along with the extensive experience of the promoters. The management of the company have an experience of more than 3 decades in the CPC industry. This is also reflected in the year-on-year increase in quantity sold by the company along with improvement in the operating margins from 7.4 percent in FY22 to 12.23 percent in FY24. The rating further takes into account the healthy financial risk profile of the company marked by healthy net-worth, healthy gearing and strong debt protection metrics. The rating also takes into consideration the moderate working capital operations of the company marked by the GCA days of 117 days in FY24 consisting majorly of inventory days for the company. However, these strengths are partly offset by the company's susceptibility to fluctuation in raw material prices, which in turn also affects the realizations for the company. Further company operates in a highly restricted environment where each year the specific quota of import is allowed by Directorate General of Foreign Trade (DGFT). The rating also factors in the customer concentration risk as more than 95 percent of the revenue is marked from just three customers.

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 Goa Carbon Limited (GCL) to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operation with experienced management

Goa Carbon Limited has an established track record of operations of over five decades, along with experienced management. The company is promoted by Dempo group, which was established in 1941 and is into various business such as Iron Ore mining and exports, Construction, Publishing, Ship Building, Travel and Trade, among others. GCL, incorporated in 1967 is into manufacturing of CPC i.e. Calcined Petroleum Coke and is one of the top producers in the country. The chairman of the company Mr. Shrinivas Dempo has an extensive experience of

over three decades in the industry. The operating performance of the company has also improved as reflected in the year on year improvement in quantity sold. However, the realizations stood lower which led to decline in the revenue booked by the company. Further it also witnessed an improvement in operating margins year on year to 12.23 percent in FY24 as against 10.72 percent in FY23 and 7.40 percent in FY22.

Further, the company is into the manufacturing of CPC which is majorly used by Aluminium smelters for making Anodes. CPC sold by the company is consumed by the domestic Aluminium manufactures namely Hindalco Industries, Vedanta, Bharat Aluminium, Kirloskar Ferrous, etc. On the other side the company procures its raw material which is RPC, Raw Petroleum Coke majorly from foreign countries such as UAE, Oman, Kuwait, etc.

Acuite believes that the established position in the industry and extensive experience of the management will help the company to maintain a stable business profile in the CPC segment.

Healthy Financial risk profile

The financial risk profile of the company remained healthy marked by a healthy net worth, low gearing, and healthy debt protection metrics. The net worth of the company stood healthy at Rs. 247.55 Cr. as on March 31, 2024 as against Rs. 186.03 Cr. as on March 31, 2023. The increase in net worth is primarily due to the accretion of profits to the reserves. The gearing of the company stood at 1.35 times as on March 31, 2024 as against 2.27 times as on March 31, 2023. The TOL/TNW stood at 1.48 times as on March 31, 2024 as against 3.13 times as on March 31, 2023. The debt protection metrics also stood healthy with DSCR and Interest coverage ratio standing at 4.34 times and 5.96 times respectively as on 31st March 2024.

Acuite believes that the financial risk profile of the company may continue to remain healthy with steady cash accruals to fund capex, if any in the near to medium term.

Moderate working capital operations

The working capital operations of the company remains moderate marked by GCA days of 117 days in FY 2024 as against 140 days in FY 2023. The GCA days are comprised of high inventory and moderate debtor. The inventory stood at 86 days in FY 2024 as against 98 days in FY 2023. Majority of raw material close to 95 percent is being imported from foreign countries. So considering the sailing time of the vessel from different locations and conversion time of the stock into finished product, the company generally keeps inventory of three months. The debtor days stood at 21 days in FY 2024 as against 41 days in FY 2023. However, the creditors days stood at 7 days in FY2024 as against 46 days in FY 2023.

Acuite believes that working capital operations of the company may continue to remain moderate considering the improving receivable mechanism.

Weaknesses

Profitability susceptible to price volatility and cyclicalities 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’s performance remains vulnerable to cyclicalities 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. The RPC and CPC prices are predominantly influenced by China and other global factors. However, the Indian Calcination Industry is a Restricted Environment where every year the quota is being allotted by DGFT based on the requirement of Smelters and other manufacturers. Thus, the operating performance of the company is exposed to fluctuations in the prices of raw materials, realization from finished goods and allocation of quota by DGFT.

Exposure to customer concentration risk

GCL's customer base is heavily dominated by Hindalco Industries Limited and Vedanta Aluminium & Power Limited and Bharat Aluminium which together account for more than 95 percent of the total revenues. However, these are leading aluminium producers in the country, so the risk is mitigated to quite some extent.

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

Rating Sensitivities

- Any significant improvement in the price realizations going forward, marking an improvement in revenue for the company
- Maintaining profitability margins

Liquidity Position

Adequate

The Company had Cash and Bank balance of Rs. 37.14 Crores as on March 31, 2024. The company has only short-term borrowings in the form of Cash credit and Buyer’s credit as of March 31, 2024. The company generated NCA of Rs. 87.98 crores in FY24 as against no major repayment obligations in the same year. The current ratio of the company stood at 1.39 times in FY 2023-24. The working capital operations of the company also remain moderate

marked by the GCA days of 117 days in FY24. The Average Bank limit utilisation for last 12 months stood at 56.73 percent on closing basis.

Outlook : Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1057.31	1364.36
PAT	Rs. Cr.	85.50	80.59
PAT Margin	(%)	8.09	5.91
Total Debt/Tangible Net Worth	Times	1.35	2.27
PBDIT/Interest	Times	5.96	3.38

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
20 Nov 2023	Working Capital Term Loan	Long Term	4.00	ACUITE BBB+ (Reaffirmed & Withdrawn)
	Working Capital Term Loan	Long Term	5.00	ACUITE BBB+ (Reaffirmed & Withdrawn)
	Cash Credit	Long Term	60.00	ACUITE BBB+ (Reaffirmed & Withdrawn)
	Letter of Credit	Short Term	204.00	ACUITE A2 (Reaffirmed & Withdrawn)
	Letter of Credit	Short Term	6.00	ACUITE A2 (Reaffirmed & Withdrawn)
	Proposed Short Term Bank Facility	Short Term	140.00	ACUITE Not Applicable (Withdrawn)
06 Mar 2023	Working Capital Term Loan	Long Term	4.00	ACUITE BBB+ Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	5.00	ACUITE BBB+ Stable (Reaffirmed)
	Cash Credit	Long Term	60.00	ACUITE BBB+ Stable (Reaffirmed)
	Letter of Credit	Short Term	204.00	ACUITE A2 (Reaffirmed)
	Letter of Credit	Short Term	6.00	ACUITE A2 (Assigned)
	Proposed Short Term Bank Facility	Short Term	140.00	ACUITE A2 (Assigned)
14 Apr 2022	Cash Credit	Long Term	60.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	13.50	ACUITE BBB+ Stable (Upgraded from ACUITE BBB- Stable)
	Working Capital Term Loan	Long Term	5.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB- Stable)
	Working Capital Term Loan	Long Term	4.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB- Stable)
	Letter of Credit	Short Term	131.50	ACUITE A2 (Upgraded from ACUITE A3+)
	Bank Guarantee/Letter of Guarantee	Short Term	5.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Proposed Short Term Bank Facility	Short Term	54.00	ACUITE A2 (Upgraded from ACUITE A3+)
08 Oct 2021	Cash Credit	Long Term	13.50	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	60.00	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	131.50	ACUITE A3+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	63.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	5.00	ACUITE A3+ (Reaffirmed & Withdrawn)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A Stable Assigned
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	55.00	Simple	ACUITE A Stable Assigned
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2026	5.00	Simple	ACUITE A Stable Assigned
Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	185.00	Simple	ACUITE A1 Assigned
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE A1 Assigned
Indusind Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	55.00	Simple	ACUITE A1 Assigned
NKGSB Cooperative Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE A1 Assigned
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	45.00	Simple	ACUITE A1 Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	16.00	Simple	ACUITE A Stable Assigned
Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2026	4.00	Simple	ACUITE A Stable Assigned

Note -

- Cash Credit facility of IndusInd Bank amounting to Rs.5 crore is 100% interchangeable into Non fund based, i.e. LC and SBLC
- Cash Credit facility of State Bank of India amounting to Rs.55 crore is 100% interchangeable into Non Fund Based Limits
- Letter of Credit facility of Bank of India amounting to Rs.185 crore is 100% interchangeable into TCBG and Buyers' Credit. i.e. Cash Credit Limits Upto Rs 13.50 crore; BG Limits upto Rs 10 crore; CEL Limits upto Rs 16 crore; EPC/ PCFC/FBD/FCBD Limits upto Rs 6 crore
- Letter of Credit facility of Canara Bank amounting to Rs.50 crore is 100% interchangeable into BG (Trade Credit); Cash Credit Limits Upto Rs 5 crore; Forward Contract Limits upto Rs 3 crore
- Letter of Credit facility of IndusInd Bank Limited amounting to Rs.55 crore is 100% interchangeable into SBLC / BG for Buyers' Credit
- Letter of Credit facility of NKGSB Cooperative Bank amounting to Rs.5 crore is 100% interchangeable into Cash Credit Limits
- Letter of Credit facility of State Bank of India amounting to Rs.45 crore is interchangeable into CEL limits upto Rs.5 crore

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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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