



Press Release
GOA CARBON LIMITED
February 10, 2025
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	85.00	ACUITE A- Stable Downgraded	-
Bank Loan Ratings	340.00	-	ACUITE A2+ Downgraded
Total Outstanding Quantum (Rs. Cr)	425.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to ‘ACUITE A-’ (read as ACUITE A minus) from ‘ACUITE A’ (read as ACUITE A) and the short-term rating to ‘ACUITE A2+’ (read as ACUITE A two plus) from ‘ACUITE A1’ (read as ACUITE A one) on the Rs. 425.00 crore bank facilities of Goa Carbon Limited (GCL). The outlook is 'Stable'.

Rationale for rating downgrade

The rating downgrade considers the decline in the operating performance of the company with revenue of Rs. 376.28 crore, negative EBITDA of Rs.14.01 crore in 9MFY25 as against Rs. 878.84 crore and Rs. 113.96 crore respectively for the same period previous year. This decline is attributable to the lower sales volume coupled with decline in realizations and increase in raw material cost in 9MFY25. Moreover, with the increasing demand in China leading to rise in the realisation prices and consequent diversion of smelters to domestic calcined pet coke (CPC) manufactures owing to increasing international prices, the revenue and margins of the company are expected to improve in Q4FY25. This along with high-rate procurement challenges in the near term shall remain a key rating sensitivity.

However, the rating continues to derive strength from its established track record and the extensive experience of the management. The rating also takes into account the healthy financial risk profile of the company marked by healthy net-worth, healthy gearing and strong debt protection metrics. Further, the rating also takes into consideration the moderate working capital operations of the company consisting majorly of inventory.

Further, the rating remains constrained by the company’s susceptibility to fluctuation in raw material prices, which in turn also affects the realizations for the company. Additionally, the company operates in a highly restricted environment wherein import of pet coke by CPC manufacturers as well as smelters are based on the specific quota decided 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

Incorporated in 1967, GCL is engaged in manufacturing and marketing of Calcined Petroleum Coke (CPC). It has three manufacturing facilities located each at 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

Acuité 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

GCL has an established track record of operations of over five decades supported by an experienced management team. The company is a part of Dempo group of companies, promoted by Mr. Shrinivas Dempo who has an extensive experience of over three decades in the industry. The company is into the manufacturing of CPC which is majorly used by aluminium smelters for making anodes. The company deals with reputed aluminium players in the country like Hindalco Industries, Vedanta, Bharat Aluminium, Kirloskar Ferrous, etc. On the other side the company procures its raw material i.e. Raw Petroleum Coke (RPC) 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 crore as on March 31, 2024 as against Rs. 186.03 crore 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 low at 1.35 times as on March 31, 2024 as against 2.27 times as on March 31, 2023 as borrowings are majorly in the form of short term working capital requirements. The debt protection metrics also stood healthy with debt service coverage ratio and interest coverage ratio standing at 4.34 times and 5.96 times respectively as on March 31, 2024.

Acuite believes that while the decline in the operating performance in 9MFY25 has affected the financial risk profile of the company to some extent, however, it is expected to remain comfortable over the medium term supported by recovery in the cashflows.

Moderate working capital operations

The working capital operations of the company remain moderate marked by gross current asset (GCA) days of 117 days in FY24 as against 140 days in FY23. The GCA days comprise of high inventory levels and moderate debtors. The inventory stood at 86 days in FY24 as against 98 days in FY23. Majority of raw material ~ 95 percent is being imported from foreign countries. So, considering the sailing of the vessel from different locations and conversion of the stock into finished product, the company generally keeps inventory of three months. The debtor days stood at 21 days in FY24 as against 41 days in FY23. However, the creditors days stood at 7 days in FY24 as against 46 days in FY23.

Acuite believes that working capital operations of the company may continue to remain moderate on the back of efficient inventory and receivable management.

Weaknesses

Decline in operating performance

The company experienced a notable reduction in operating income, which fell to Rs. 376.28 crore in the first nine months of FY25, compared to Rs. 878.84 crore during the same period in FY24. This decline in operating income is primarily due to a decrease in both sales volume and realizations which were adversely affected by a downtrend in CPC/RPC prices in international markets in FY25. Furthermore, the company's EBITDA margins decreased to (3.72) percent in 9MFY25, down from 12.97 percent in 9MFY24. The operating margins were majorly influenced by the conversion of relatively high cost RPC inventory into CPC leading to an increase in the raw material cost.

Moreover, with the increasing demand in China leading to a rise in the realisation prices and consequent diversion of smelters to domestic calcined pet coke (CPC) manufacturers owing to increasing international prices, the revenue and margins of the company are expected to improve in Q4FY25. This along with high rate procurement challenges in the near term shall remain a key rating monitorable.

Profitability susceptible to price volatility and cyclicity of the industry

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 cyclicity 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. Additionally, the company operates in a highly restricted environment wherein import of pet coke by CPC manufacturers as well as smelters are based on the specific quota decided by DGFT. 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, Vedanta Aluminium & Power Limited and Bharat Aluminium which together account for more than 95 percent of the total revenues. However, since these are leading aluminium producers in the country, so the risk is mitigated to some extent.

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

Rating Sensitivities

- Further decline in volume or price realizations affecting the business risk profile
- Inadequate cashflow generation impacting the financial risk profile
- Inefficient management of working capital operations.

Liquidity Position

Adequate

The company had cash and cash equivalents of Rs. 101.07 crore as on September 30, 2024. The company generated sufficient NCA of Rs. 87.98 crore in FY24 as against no major repayment obligations in the same year. The current ratio of the company stood at 1.39 times as on March 31, 2024. The average bank limit utilisation for last 12 months ended September 30, 2024 stood at 56.73 percent.

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)

Not Applicable

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
19 Nov 2024	Cash Credit	Long Term	5.00	ACUITE A Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	5.00	ACUITE A Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	4.00	ACUITE A Stable (Reaffirmed)
	Cash Credit	Long Term	55.00	ACUITE A Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	16.00	ACUITE A Stable (Reaffirmed)
	Letter of Credit	Short Term	45.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	55.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	5.00	ACUITE A1 (Reaffirmed)
	Letter of Credit	Short Term	185.00	ACUITE A1 (Reaffirmed)
05 Nov 2024	Cash Credit	Long Term	5.00	ACUITE A Stable (Assigned)
	Cash Credit	Long Term	55.00	ACUITE A Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	16.00	ACUITE A Stable (Assigned)
	Covid Emergency Line.	Long Term	5.00	ACUITE A Stable (Assigned)
	Working Capital Term Loan	Long Term	4.00	ACUITE A Stable (Assigned)
	Letter of Credit	Short Term	50.00	ACUITE A1 (Assigned)
	Letter of Credit	Short Term	55.00	ACUITE A1 (Assigned)
	Letter of Credit	Short Term	5.00	ACUITE A1 (Assigned)
	Letter of Credit	Short Term	45.00	ACUITE A1 (Assigned)
	Letter of Credit	Short Term	185.00	ACUITE A1 (Assigned)
20 Nov 2023	Letter of Credit	Short Term	204.00	ACUITE A2 (Reaffirmed & Withdrawn)
	Letter of Credit	Short Term	6.00	ACUITE A2 (Reaffirmed & Withdrawn)
	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)
	Proposed Short Term Bank Facility	Short Term	140.00	ACUITE Not Applicable (Withdrawn)
06 Mar	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)

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)
14 Apr 2022	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+)
	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)

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 Downgraded (from ACUITE A)
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 Downgraded (from ACUITE A)
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 Downgraded (from ACUITE A)
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 A2+ Downgraded (from ACUITE A1)
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 A2+ Downgraded (from ACUITE A1)
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 A2+ Downgraded (from ACUITE A1)
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 A2+ Downgraded (from ACUITE A1)
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 A2+ Downgraded (from ACUITE A1)
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 Downgraded (from ACUITE A)
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 Downgraded (from ACUITE A)

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About Acuité Ratings & Research

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