

**Press Release**  
**Jalan Carbons And Chemicals Private Limited**

December 26, 2019

**Rating Assigned**



<b>Total Bank Facilities Rated*</b>	Rs. 10.00 Cr.
<b>Long Term Rating</b>	ACUITE BB+/Stable (Assigned)

\* Refer Annexure for details

**Rating Rationale**

Acuité has assigned the long term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) to the above mentioned bank facilities of Jalan Carbons and Chemicals Private Limited (JCCPL). The outlook is '**Stable**'.

Incorporated in 1995, Jalan Carbons and Chemicals Private Limited (JCCPL) is a West Bengal based company engaged in the manufacturing of coal tar pitch (CTP) and derivatives like creosote oils, naphthalene. They use coal tar as the raw material and distill it to produce naphthalene, oils of various grades and coal tar pitch. The company has its manufacturing units at Odisha and at Jamshedpur with installed production capacity of 24,000 MTPA for coal tar pitch and 19,000 MTPA for creosote oils. The company is promoted by Mr Ajay Jalan. Jalan Carbons and Chemicals Ltd and Intercontinental Tar Refiners Private Limited was merged together in 2013 to form JCCPL.

**Analytical Approach**

Acuité has considered the standalone business and financial risk profile of Jalan Carbons and Chemicals Private Limited (JCCPL).

**Key Rating Drivers:**

**Strengths**

• **Long track record of operations and experienced promoters**

The promoter, Mr Ajay Jalan has experience of around 15 years in coal tar pitch industry and manages the day-to-day operations of the company. The company is well supported by experienced and well qualified board of directors as well as professional and skilled management team. Acuite believes the promoter's extensive experience has helped the company to establish long term relationship with customers and suppliers ensuring repeat orders.

• **Reputed Customer Base**

Coal tar pitch has applications in aluminium and graphite electrode industries. The aluminium industry is the largest coal tar consumer. The company caters to reputed aluminum and graphite electrode companies like HEG Limited, BEEKAY Steel Industries, Graphite India Limited and Vedanta Limited. The company provides a credit period of 30 days to HEG Limited and Vedanta Limited. The company has a healthy relationship of around 15 years with HEG Limited, 8 years with Vedanta Limited and 10 years with Graphite India Limited.

• **Comfortable financial risk profile**

The company's financial risk profile is marked by modest net worth, comfortable gearing and strong debt protection metrics. The net worth of the company stood at Rs.24.73 crore as on 31 March, 2019 as against Rs.16.93 crore in the previous year. The gearing stood at 0.49 times as on 31 March, 2019 as against 1.42 times in the previous year. Total debt of Rs.12.21 crore consists of Rs.2.78 crore of long term borrowings, Rs.9.06 crore of unsecured loan and short term borrowings of Rs 0.37 crore. Moreover, the debt protection metrics is modest marked by interest coverage ratio (ICR) of 4.62 times in FY2019 and debt service coverage ratio (DSCR) of 1.99 times as on March 31, 2019. Going

forward, the financial risk profile is expected to remain stable driven by increase in cash accruals.

### Weaknesses

- **Modest scale of operations**

The company has registered modest revenues of Rs. 96.38 crore in FY2019 as compared to Rs. 93.78 crore in FY2018. The marginal rise in revenues is on account of increase in realization which has offset dip in sales volume of coal tar pitch. The company has achieved revenues of Rs.35.33 crores till Sep, 2019. Acuité believes the ability of the company to scale up the operations will remain a key monitorable.

- **Susceptibility to cyclical in the end-user industry**

About 70 per cent of the JCCPL's sales are to the aluminum industry and the entire raw material is sourced from the steel industry. This exposes JCCPL's operating margin to cyclical in these two industries. This has resulted in significant volatility of the operating profit margin of the company in the past. The company reported operating profit margin of around 10 per cent in 2019.

### Rating Sensitivity

- Improvement in scale of operations
- Sustenance of profitability

### Material Covenants

None

### Liquidity Profile:

The company has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company has generated cash accruals of Rs.9.02 crore in FY2019 to repay its long term debt obligations of Rs.3.00 crore over the same period. Moreover, the company's working capital operations are efficiently managed marked by gross current asset (GCA) days of 87 days in FY2019 as against 109 days in FY2018. The current ratio stood at 5.48 times as on March 31, 2019. The company maintains unencumbered cash and bank balances of Rs.0.81 crore as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term.

### Outlook: Stable

Acuité believes that the company will maintain 'Stable' outlook from the extensive experience of the promoter and reputed customer base. The outlook may be revised to 'Positive' in case of higher-than-expected revenues and profitability, leading to a substantial increase in cash accrual. The outlook may be revised to 'Negative' in case of lower-than-expected revenues, or increase in working capital intensity.

### About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	96.38	93.78
PAT	Rs. Cr.	7.80	2.46
PAT Margin	(%)	8.09	2.63
Total Debt/Tangible Net Worth	Times	0.49	1.42
PBDIT/Interest	Times	4.62	2.52

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

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Not Applicable

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB+/Stable (Assigned)

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### About Acuité Ratings & Research:

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