

# Goa Carbon Limited



Registered & Corporate Office:

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Corporate Identity Number - L23109GA1967PLC000076



COMPANY'S SCRIP CODE / SYMBOL: 509567 / GOACARBON ISIN: INE426D01013

Ref. No.: 2019\W35

May 3<sup>rd</sup> 2019

The General Manager  
Department of Corporate Services  
**BSE Limited,** ..... Thru'  
Listing Centre  
25<sup>th</sup> Floor, P. J. Towers, Dalal Street,  
Mumbai 400001

The Listing Department  
**National Stock Exchange of India Ltd.,**  
..... Thru' NEAPS  
Exchange Plaza, Bandra Kuria Complex,  
Bandra (East),  
Mumbai 400051

Sub.: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Sir(s),

With reference to the above subject, we wish to inform you that Acuite Ratings & Research Limited, erstwhile SMERA Ratings Limited – the credit rating agency, has revised the long term rating to 'ACUITE BBB' from 'ACUITE BBB+' and short term rating to 'ACUITE A3+' from 'ACUITE A2' on the Rs.273.00 Cr. bank facilities of the Company.

Further, the details and Rating Report received from Acuite Ratings & Research Limited, is enclosed herewith.

Kindly take the above on record.

Yours faithfully,  
For Goa Carbon Limited

Pravin Satardekar  
Company Secretary  
M. No. ACS 24380

**Plants :**

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## Press Release

Goa Carbon Limited

May 02, 2019

### Rating Downgraded

Total Bank Facilities Rated*	Rs.273.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Negative (Downgraded from ACUITE BBB+/Negative)
Short Term Rating	ACUITE A3+ (Downgraded from ACUITE A2)

\* Refer Annexure for details

### Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.273.00 cr. bank facilities of Goa Carbon Limited. The outlook is '**Negative**'.

GCL exhibited significant decline in its operating performance for the Q4 FY2019 (January 2019- March 2019) with revenues of Rs.129.29 crore and operating (EBITDA) losses of 9.00 crore. The performance during Q3 FY2019 was also tepid with revenues of Rs.94.27 crore and operating losses of 6.31 crore. Acuité expects the pressures on its operating performance to continue over the near term which are likely to impact its ability to meet the short term commitments. The downward revision in the rating reflects likelihood of subdued operating matrices and liquidity position of the company over the near term.

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). GCL has manufacturing facilities located at Goa, Bilaspur and Paradeep with combined capacity of 225,000 metric tonnes per annum. GCL is a part of Dempo Group which has presence in Iron Ore mining and exports, Calcined Petroleum Coke, Construction, Publishing, Ship Building, Travel and Trade.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the GCL to arrive at this rating.

### Key Rating Drivers

#### Strengths

##### • Established presence in CPC segment

GCL has more than 5 decades of experience in the production of CPC. The company has an established market position and is one of 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. Acuité believes that GCL will continue to benefit from its established presence in the CPC segment.

GCL caters to various reputed customer: in the Aluminium Industry, Graphite Industry and Steel Industry namely Hindalco Industries Limited (HIL), Vedanta Aluminium Limited (VAL), The Kerala Minerals and Metals Limited (KMML), Steel Authority of India Ltd (SAIL) among others. GCL also has healthy relations of 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 stable business profile in the medium term.

#### Weaknesses

##### • Significant moderation in profitability margins and coverage indicators

GCL has been continuously facing profitability pressures since Q2 FY2019 (June 2018- September 2018) mainly on account of ban on the import of Pet Coke which is the major raw material for manufacturing CPC and lower price differential between selling price and input cost indicating the challenges faced by

the company in managing its operating performance.

GCL reported net loss of Rs.1.26 crore for Q2, Rs.4.91 crore for Q3 and Rs.8.79 crore for Q4 of FY2019. The average utilization levels of all the plants for FY2019 came down to 70 percent from 91 percent for FY2018. The lower utilization level was mainly on account of unavailability of the raw material due to ban imposed by the government on import of pet coke. The ban was subsequently lifted by the government and the companies have been allotted fixed quota per quarter for importing pet coke. The continuous operating pressures for three consecutive quarters has resulted in deterioration of the operating margins which stood at 0.21 percent for FY2019 as against 16.25 percent for FY2018. The excess capacity of CPC in China is further adding to pressure on margins of the domestic players like GCL. The declined profitability has resulted in significant moderation in the coverage indicators marked by interest coverage ratio of 0.24 times for FY2019 as against 11.58 times for FY2018.

GCL imports ~95 percent of the raw material and sells mainly in the domestic market thereby rendering it to risks associated with exchange rate fluctuation. Besides forex risk, the revenues are exposed to cyclicalities in Aluminium Industry as almost 85 percent of the revenues are derived from the Aluminium Industry.

Acuité believes the ability of the company to achieve optimum capacity utilization while maintaining healthy operating margins will be key rating sensitivities.

• **Working capital intensive operations**

GCL's operations are working capital intensive marked by high Gross Current Asset (GCA) of 233 days in FY2019 compared to 196 days in FY2018. The GCA days are mainly driven by high inventory of 132 days in FY2019 compared to 71 days in FY2018. GCL has to import the raw material in advance as per the quota allotted by Director General of Foreign Trade (DGFT) for the quarter which results in higher inventory. The receivables also elongated to 49 days for FY2019 from 35 days for FY2018 mainly on account of delayed realization from its major customer i.e. Hindalco. GCL has Letter of Credit (LC) which are due for retirement in next 2-3 months. Acuité believes that the ability of the company to manage its liquidity so as to ensuring timely retirement of LC will be critical.

• **Exposure to customer concentration risk**

GCL faces high customer concentration risk. Its major customers, Hindalco Industries Limited and Bharat Aluminium Company Limited account for around 80 percent of the total revenues.

• **Regulatory risks**

The operations of the company are exposed to regulatory risks. Any changes in the regulatory framework such as duties/quotas on the import of raw material, pollution norms will have a significant impact on the operating performance of the company.

**Liquidity position**

GCL is expected to face the liquidity pressure over the near term on account of significant short term commitments in the form of LCs falling due over the next 2-3 months. The cash flow from operations is expected to be subdued over the next 1-2 quarters. The company may require additional external funding support to tide over any possible mismatch between cash flow from operation and debt commitments.

**Outlook: Negative**

Acuité believes that the GCL's credit profile will be under pressure on account of significant moderation in its operating performance over the near to medium term. The rating may be downgraded in case of continued moderation in its profitability margins impairing its liquidity and debt protection indicators. Conversely, the outlook may be revised to 'Stable' if the company is able to demonstrate significant and sustainable improvement in its revenues and profitability margins while managing its working capital cycle effectively.

**About the Rated Entity - Key Financials**

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	461.96	577.38	292.97
EBITDA	Rs. Cr.	0.95	93.83	20.63
PAT	Rs. Cr.	(7.51)	53.85	9.50
EBITDA Margin	(%)	0.21	16.25	7.04
PAT Margin	(%)	(1.63)	9.33	3.24
ROCE	(%)	0.36	34.67	9.30

Total Debt/Tangible Net Worth	Times	0.00	1.56	1.98
PBDIT/Interest	Times	0.24	11.58	3.06
Total Debt/PBDIT	Times	0.15	1.95	6.06
Gross Current Assets (Days)	Days	233	196	257

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

#### Note on complexity levels of the rated instrument

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

#### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
25-Oct-18	Cash credit	Long term	8.00	ACUITE BBB+/Negative (Revised from ACUITE BBB+/Stable)
	Cash credit#	Long term	60.00	ACUITE BBB+/Negative (Assigned)
	Letter of credit##	Short Term	135.00	ACUITE A2 (Reaffirmed)
	Letter of credit	Short Term	50.00	ACUITE A2 (Reaffirmed)
	Bank guarantee	Short Term	15.00	ACUITE A2 (Reaffirmed)
	Bank guarantee	Short Term	5.00	ACUITE A2 (Reaffirmed)
29-Dec-17	Cash Credit	Long term	8.00	ACUITE BBB+/Stable (Assigned)
	Letter of Credit	Short Term	135.00	ACUITE A2 (Assigned)
	Letter of Credit	Short Term	50.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A2 (Assigned)
	Proposed Bank Facility	Short Term	40.00	ACUITE A2 (Assigned)

#Fully interchangeable with Letter of Credit Facility

## Contains sublimit of Cash Credit to the extent of Rs.13.50 crore

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB /Stable (Downgraded from ACUITE BBB+/Negative)
Cash credit#	Not Applicable	Not Applicable	Not Applicable	60.00	ACUITE BBB /Stable (Downgraded from ACUITE BBB+/Negative)
Letter of credit##	Not Applicable	Not Applicable	Not Applicable	135.00	ACUITE A3+ (Downgraded from ACUITE A2)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A3+ (Downgraded from ACUITE A2)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3+ (Downgraded from ACUITE A2)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ (Downgraded from ACUITE A2)

#Fully interchangeable with Letter of Credit Facility

## Contains sublimit of Cash Credit to the extent of Rs.13.50 crore