

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.: 2020\VIII\147

Date: 13th July 2020

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

The Listing Department
National Stock Exchange of India Ltd., ... Thru' NEAPS
Exchange Plaza, Bandra Kurla 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 Acuité Ratings & Research Limited – the credit rating agency, has revised the long term rating to 'ACUITE BBB-' from 'ACUITE BBB' and reaffirmed the short term rating of 'ACUITE A3+' on the ₹ 273.00 crore bank facilities of the Company. Further, Acuité has revised the outlook from 'Negative' to 'Stable'.

We are enclosing herewith the rating report received from Acuité Ratings & Research Limited.

Kindly take the above on record.

Thanking you,

Yours faithfully,
For Goa Carbon Limited

Pravin Satardekar
Company Secretary
ACS 24380

Encl.: as above



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Press Release

Goa Carbon Limited

July 10, 2020

Rating Downgraded & Reaffirmed Outlook Revised

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

* Refer Annexure for details

Rating Rationale

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

The rating downgrade is mainly on account of continued moderation in the operating performance for FY2020. The revenues deteriorated to Rs.416.82 crore in FY2020 from Rs.461.96 crore in FY2019. GCL made losses on both the operating as well as net levels marked by EBITDA losses of Rs.14.67 crore and PAT losses of Rs.27.75 crore for FY2020. The losses were mainly on account of lower sales realization and demurrage expenses incurred during the year. Acuité believes that the ability of the company to improve its operating performance and to manage its cash flows efficiently will be a key monitorable.

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. Mr. Shrinivas V. Dempo is the chairman of the company. 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. GCL is listed on BSE and NSE.

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 is a part of Dempo Group, which was established in 1941. The group one diversified operations having presence in Iron Ore mining and exports, Calcined Petroleum Coke, Construction, Publishing, Ship Building, Travel and Trade among others.

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. He is well supported by senior management who are well experienced in the same field. Acuité believes that GCL will continue to benefit from its established presence in the CPC segment.

GCL caters to various reputed customers 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.

- **Improvement in the working capital cycle**

GCL shown improvement in its working capital operations, which was mainly due to early realization from its customers. Its Gross Current Asset (GCA) days improved to 145 days in FY2020 as against 233 days in FY2019. The receivable cycle improved to 19 days in FY2020 from 49 days in FY2019, while the inventory days also improved to 82 days in FY2020 from 132 days in FY2019. GCL has lower reliance on working capital borrowings and it mainly uses Letter of Credit (LC) facility for importing raw material. The LC outstanding as on 10 June 2020 was Rs.88.70 crore.

Acuité believes that the ability of the company to manage its cash flows so as to ensuring timely retirement of LC will be critical.

Weaknesses

- **Significant moderation in the operating performance**

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 losses at both operating as well as net levels in FY2020. The company reported EBITDA losses of Rs.14.67 crore and PAT losses of Rs.27.75 crore in FY2020. The losses were mainly on account of lower sales realization and demurrage expenses incurred during the year. The continuous losses for past two years has resulted in deterioration in the net worth of the company which stood at Rs.79.00 crore as on 31 March 2020 as against Rs.107.48 crore as on 31 March 2019.

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 cyclicity in Aluminium Industry as almost 85 percent of the revenues are derived from the Aluminium Industry.

Acuité believes the ability of the company to improve its sales realization in order to maintain healthy operating margins will be key rating sensitivity.

- **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: Adequate

GCL has adequate liquidity position marked by its positive cash flows from operations to take care of its maturing LC obligations. The LC outstanding as on 10 June 2020 was Rs.88.70 crore, out of which Rs.51.7 crore is falling due for retirement in Q2 FY2021; for which GCL has adequate cash flow available.

Rating Sensitivities

- Significant and sustainable improvement in revenues and profitability margins
- Continued moderation in its profitability margins impairing its liquidity and debt protection indicators

Material Covenants

None

Outlook: Stable

Acuité believes that GCL will be able to maintain stable credit profile over the medium term on back of its established market presence in the CPC segment and strong promoter group. The outlook may be revised to 'Positive' if the company is able to demonstrate significant and sustainable improvement in its revenues and profitability margins while managing its working capital cycle effectively. Conversely, the outlook may be revised to 'Negative' in case of continued moderation in its profitability margins impairing its liquidity and capital structure.

About the Rated Entity - Key Financials

| | Unit | FY20 (Actual) | FY19 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income | Rs. Cr. | 416.82 | 461.96 |
| PAT | Rs. Cr. | (27.75) | (7.51) |
| PAT Margin | (%) | (6.66) | (1.63) |
| Total Debt/Tangible Net Worth | Times | 0.05 | 0.00 |
| PBDIT/Interest | Times | (0.90) | 0.24 |

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr) | Ratings/Outlook |
|-----------|---------------------------------|------------|-----------------|--|
| 07-May-19 | Cash credit | Long term | 8.00 | ACUITE BBB /Stable (Downgraded from ACUITE BBB+/Negative) |
| | Cash credit# | Long term | 60.00 | ACUITE A3+ (Downgraded from ACUITE A2) |
| | Letter of credit## | Short Term | 135.00 | ACUITE A3+ (Downgraded from ACUITE A2) |
| | Letter of credit | Short Term | 50.00 | ACUITE A3+ (Downgraded from ACUITE A2) |
| | Bank guarantee | Short Term | 15.00 | ACUITE A3+ (Downgraded from ACUITE A2) |
| | Bank guarantee | Short Term | 5.00 | ACUITE (Reaffirmed) |
| 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) |
|--|------------------------|------------|-------|----------------------|

***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- (Withdrawn) |
| Cash credit # | Not Applicable | Not Applicable | Not Applicable | 60.00 | ACUITE BBB-/Stable (Downgraded from ACUITE BBB /Negative) |
| Proposed bank facility | Not Applicable | Not Applicable | Not Applicable | 8.00 | ACUITE BBB-/Stable (Downgraded from ACUITE BBB /Negative) |
| Letter of credit # # | Not Applicable | Not Applicable | Not Applicable | 135.00 | ACUITE A3+ (Reaffirmed) |
| Letter of credit | Not Applicable | Not Applicable | Not Applicable | 50.00 | ACUITE A3+ (Withdrawn) |
| Bank guarantee | Not Applicable | Not Applicable | Not Applicable | 15.00 | ACUITE A3+ (Reaffirmed) |
| Bank guarantee | Not Applicable | Not Applicable | Not Applicable | 5.00 | ACUITE A3+ (Reaffirmed) |
| Proposed bank facility | Not Applicable | Not Applicable | Not Applicable | 50.00 | ACUITE A3+ (Reaffirmed) |