

## Continental Carbon India Limited (tfr.co. From W.b. To Delhi)

November 11, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	6.48	CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB (CE); Stable; [Double B (Credit Enhancement); Outlook: Stable]
Short Term Bank Facilities	326.74	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE A4 (CE); [A Four (Credit Enhancement)]
<b>Total Bank Facilities</b>	<b>333.22</b> <b>(₹ Three Hundred Thirty-Three Crore and Twenty-Two Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

@@In line with RBI's circular and guidance note, and FAQs dated April 22, 2022 and July 26, 2022, respectively, CARE Ratings has removed the 'CE' suffix wherever the credit enhancement terms were not fully in compliance with the terms as per the RBI guidelines.

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 29, 2019, placed the ratings of Continental Carbon India Limited (CCIL) under the 'issuer non-cooperating' category as CCIL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. CCIL continues to be non-cooperative despite repeated requests for submission of information through phone calls and e-mail communications dated July 17, 2022, July 27, 2022, and August 08, 2022. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

The ratings have been revised on account of non-cooperation from the company for the updated information.

### Detailed description of the key rating drivers

At the time of last rating on August 31, 2021, following were the rating strengths and weaknesses:

#### Key Rating Weaknesses

##### Susceptibility to raw material prices

Carbon Black Feed Stock (CBFS) and Carbon Black Oil (CBO) are the key raw-material for Carbon Black(CB), accounting for around 80% of cost of sales. CBFS is a derivative product of crude oil refining and its price has a fair degree of co-relation with international crude oil price. CBO is a derivative of coal tar which is a by-product in the process of converting coking coal to coke (used for steel production). The prices of CBFS & CBO are highly volatile in nature as it is linked to volatile crude oil price and steel industry dynamics, whereas; CB price is linked to the volatility in the tyre industry.

#### Weak financial risk profile in FY20

The total operating income decreased in FY20 to Rs 315.30 crore as compared to Rs.406.34 crore in FY19. Also, PBILDT margin declined to -18.92% in FY20 (PY: 10.70%) due to increase in inventory levels. Also, due to massive increase in collection days from 59 days in FY19 to 112 days in FY20, the operating cycle has elongated to 219 days in FY20 from 169 days in FY19. However, the total debt of company has reduced from Rs. 393.67 crore in FY19 to Rs. 37.60 crore in FY20 leading to improvement in overall gearing ratio in FY20.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Stringent pollution norms for the major industry segments

The Central Pollution Control Board (CPCB) regulates the general standards for emission or discharge of environmental pollutants of carbon chemical industry. Presently, HSCL is adhering to the pollution norms of CPCB and all its plants are zero-discharge facility.

### Threat of imports of Carbon Black

Anti-dumping duty (ADD) on import of CB has been levied at differential rates for different countries. Imports of CB had increased in FY19 due to increase in demand from the tyre industry India which has reduced in the current year on the back of the recent domestic demand scenario. Continuation of ADD will be a rating monitorable.

### Key Rating Strengths

#### Experienced and professional management team

China Synthetic Rubber Corporation (CSRC), the ultimate holding company of CCIL was established in 1973 and has been manufacturing carbon black at its Kaohsiung City plant in Taiwan. The company derives support in terms of technology from its group company which globally is one of the leading manufacturers of carbon black.

#### Continuous support from Promoter Company

CSRC has also been providing support to CCIL in form of corporate guarantees extended towards the debt availed from various banks. Bankers have also drawn comfort of the corporate guarantee extended by CSRC to the company.

#### Favorable product mix and strategic location

CCIL has a favorable product mix of approximately 50:50 for Tyre: Non-Tyre customers. Furthermore, proximity of its manufacturing plant with Gurgaon-Manesar automobile belt makes CCIL easily accessible for the automobile companies (non-tyre segment). The company has been focusing to reduce its dependence on tyre players and has been adding clients from non-tyre segments as well. Some of the major customers include: Goodyear India Ltd, Apollo Tyres Ltd, Birla Tyres etc. Long established relationship with its clients helps the company to get repeat orders.

#### Analytical approach: Standalone

The approach has been changed from credit enhancement in the form of Corporate Guarantee by China Synthetic Rubber Corporation (CSRC, Taiwan) to a standalone approach, in line with RBI's circular and guidance note, and FAQs dated April 22, 2022, and July 26, 2022, respectively. CARE Ratings has removed the 'CE' suffix wherever the credit enhancement terms were not fully in compliance with the terms as per the RBI guidelines.

### Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios - Financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

### About the company

Continental Carbon India Ltd. (CCIL) is 37.5 Years old, public unlisted Indian Non-Government Company, involved in manufacturing of carbon black which is used as reinforcing filler in rubber compounding. The end products where it is used are tyres, profiles, hoses and V-belts which are mostly consumed by the automotive industry. CCIL also produces power and steam from waste process energy recovery.

Brief Financials (₹ crore)	March 31, 2020 (A)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	315.30	315.22	NA	NA
PBILDT	-59.65	-9.39	NA	NA
PAT	-84.16	-22.03	NA	NA
Overall gearing (times)	0.15	0.28	NA	NA
Interest coverage (times)	-3.83	-3.06	NA	NA

A: Audited. NA: Not Available

**Status of non-cooperation with previous CRA:** Not applicable.

**Any other information:** Not applicable.

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	Dec 2018	6.48	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-Short Term		-	-	-	326.74	CARE A4; ISSUER NOT COOPERATING*

#### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	6.48	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB (CE); Stable; ISSUER NOT COOPERATING* (31-Aug-21)	1)CARE BB+ (CE); Stable; ISSUER NOT COOPERATING* (19-Jun-20)	-
2	Fund-based/Non-fund-based-Short Term	ST	326.74	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (CE); ISSUER NOT COOPERATING* (31-Aug-21)	1)CARE A4+ (CE); ISSUER NOT COOPERATING* (19-Jun-20)	-

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not Available

#### Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based/Non-fund-based-Short Term	Simple

#### Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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