Paradip Calciner Limited

February 11, 2025

Facilities	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	30.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BBB+; Stable and moved to ISSUER NOT COOPERATING category
Short-term bank facilities	15.00	CARE A4+; ISSUER NOT COOPERATING*	Downgraded from CARE A3+ and moved to ISSUER NOT COOPERATING category

Details of facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Paradip Calciner Limited (PCL) to monitor the ratings vide e-mail communications dated November 15, 2024, January 22, 2025, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, PCL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The ratings on PCL's bank facilities will now be denoted as **CARE BB+; Stable /CARE A4+; ISSUER NOT COOPERATING***.

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 lack of clarity on future growth strategy and inability to monitor the performance of the group, which is critical for assessing the credit risk profile of the group. The ratings continue to remain constrained by risk relating to availability and price volatility of Raw Petroleum Coke (RPC), moderate capacity utilization, working capital intensive nature of operations, exposure to group companies in forms of loans and advances, substantial dependence on the fortunes of the aluminium and graphite industry and exposure to risks associated with Government regulations related to pollution control norms. The weaknesses are partially offset by experienced promoter with long track record of operations, strategic location of the units of the group, its reputed clientele base, improved financial performance of the group in FY23 (refers to the period April 1 to March 31) albeit moderation in 9MFY24 on account of reduction in Calcined Petroleum Coke (CPC) prices, its comfortable capital structure with healthy net worth bases and satisfactory debt protection metrics in FY23.

Analytical approach: Combined.

For arriving at its ratings, CARE has combined the business and financial profiles of PCL, Brahmaputra Carbon Limited (BCL), Guwahati Carbon Limited (GCL), Neo Carbons Private Limited (NCPL), and Digboi Carbon Private Limited (DCPL) (together referred to as the Maniyar group) as all the companies are in same line of business under common management and have significant operational and financial synergies.

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on February 07, 2024, the following were the rating strengths and weaknesses.

Key weaknesses

Moderate capacity utilization on combined basis in FY23

The capacity utilization of the group remained moderate with slight improvement from 40% in FY22 to 42% in FY23. The increase in capacity utilisation was largely supported by NCPL wherein the utilization levels increased from 69% in FY22 to 85% in FY23. The capacity utilization for other companies largely remained at similar levels. Furthermore, the utilization levels of the units are largely demand dependent and the limited supply of imported RPC also restricts producing beyond a certain level.

Risk relating to availability and price volatility of RPC and CPC

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.
*Issuer did not cooperate; based on best available information

RPC is the major raw material to produce CPC. The group sources RPC mainly from domestic market and a few portion from International market. The group has a locational advantage in Assam as three of its units are located in Assam (only place where the graphite grade RPC is available). The price of RPC, being a crude oil derivative, is dependent on crude oil prices, which are highly volatile. Over the last few years, the prices of raw materials have moved in tandem with that of the crude oil prices. The price of the finished goods depends upon the demand from aluminium industry and graphite industry. Thus, the operating margin of the company remains susceptible to any sharp movement in the RPC and CPC prices. Also, in the CPC industry, secure access to raw materials is a key competitive advantage.

Working capital intensive nature of operation
The group has to maintain adequate inventory so as to ensure continuous production. The company's inventory levels witnessed decrease in FY23 at about 100 days from 136 days in FY22 which resulted in lower working capital cycle at 131 days in FY23 from 152 days in FY22. Nonetheless, the company given its increase scale of operations has a sizeable inventory in value which remains exposed to price volatility risk. The collection period stands comfortable at 38 days in FY23 as against 24 days in FY22.

Exposure to group companies in form of loans and advances
These companies have a sizeable exposure to other group companies wherein the net loans and advances stood around Rs.117 crore as on March 31, 2023 (constituting around 18% of net worth), as against Rs 151 crore as on March 31, 2022 (constituting around 28% of net worth). While there has been slight improvement year on year, the exposure continues to remain sizeable.

Substantial dependence on the fortunes of the aluminium and graphite industry
Two grades of CPC are majorly used – i) Anode grade CPC used mainly in aluminium industry and ii) Graphite grade CPC used majorly in Graphite industry and in small percentage in ferro alloy industry. Around 80% of the world's CPC production is used in the production of the Carbon Anodes in the Aluminium smelting process and hence production of the primary aluminium is one of the most important determinants of CPC demand and the growth of the CPC industry. However, aluminium industry being cyclical in nature depends heavily on the health of the world economy. Thus, any slowdown in production and demand of the Aluminium can adversely affect the financial profile of the company.

Exposure to risks associated with Government regulations related to pollution control norms
Since pet coke is considered a pollutant and has been debated over from time to time, the operations of the company are exposed to regulatory risks. Any changes in the regulatory framework such as duties or quotas on the import of raw material and pollution norms might have a significant impact on the operating performance of the company.

Key strengths
Experienced promoter with long track record of operations
Mr Subhash Maniyar, (son of Late Mr Om Prakash Maniyar) having more than two decades of experience in the manufacturing and trading of CPC is involved in managing the overall affairs of the group. One of the largest players in the domestic CPC segment, the Maniyar group has a total installed capacity of 3,85,000 MTPA for CPC and 76,500 MTPA for Carbon Electrode Paste (CEP). Furthermore, the group is expanding its capacity at PCL (additional capacity of 60,000 MTPA) which should further add on to the overall capacity.

Strategic location of the units of the group
The group's manufacturing facilities for CPC are located in proximity to its raw material source i.e. oil refineries and port. Three units are located in Assam, two in Bihar and one unit in Odisha. The proximity enables it to take advantage of the lower transportation cost. Furthermore, as the group has majority of the capacity in Assam, it gets preference in allocation of raw material from the Assam refineries which are considered to be of superior quality. Also having units across various locations in Eastern India provides an edge in terms of supplying from the nearest unit and saving on logistic cost. Further, raw materials are mainly imported into the port-based plants.

Comfortable capital structure with healthy net worth base and satisfactory debt protection metrics
On a combined basis, the capital structure of the group remained comfortable as on March 31, 2023, with stable overall gearing ratio of 0.51x as on March 31, 2023, as against 0.57x as on March 31, 2022. The improvement has been largely driven by steady profitability in FY23 while maintaining limited debt levels. The debt protection metrics remained satisfactory with TDGCA of 2.44x as on March 31, 2023 compared with 3.32x as on March 31, 2022 on the back of increased GCA.
On a standalone basis, the capital structure remained comfortable in FY23. The overall gearing ratio improved to 1.34x as on March 31, 2023, as against 3.23x as on March 31, 2022, due to better profitability and steady accretion to reserves given increase in scale of operations.

Reputed clientele base

The group has reputed customers from diversified industry profile. The diversified customer profile of the group ensures regular inflow of orders. Further, the group sells majorly to reputed players having strong credit risk profile which on one hand reduces the counterparty credit risk and also exposes the group to client concentration risk on the other. Further as on August 31, 2023, the gross order book position at group level stood at Rs.274.43 crore.

Improvement in the financial performance of the group in FY23 albeit moderation in 9MFY24

On a combined basis, the total operating income (TOI) of the group increased by around 68% to Rs.1448 crore in FY23 from Rs.863 crore in FY23. The increase has been largely driven by both volume growth and increase in realization. Further the increase is also backed by healthy demand from Aluminium Industry which supported for better TOI and PBILDT margins, while the demand from graphite industry has remained largely subdued on account of lower demand of graphite for exports. Steady gross margin along with better absorption of fixed overheads led to stable PBILDT margin of 13.68% in FY23 as against 14.53% in FY22. Accordingly, the group achieved PAT of Rs.124.66 crore in FY23 vis-a-vis Rs.83.15 crore in FY22. The group earned GCA of Rs.137.56 crore as against minimal debt repayment obligation in FY23.

In 9MFY24, the combined sales of the group stood at Rs.955 crore (including inter-group sales) with PBILDT of Rs.71 crore. Further the company has reported an estimated PAT of Rs 48 crore. The moderation in profitability in 9MFY24 has been largely on account of reduction of prices of CPC, which has resulted in lower TOI for the group and thereby suppression in gross margins. On standalone basis, the TOI witnessed an increase of 62% y-o-y from Rs.248 crore in FY22 to Rs.402 crore in FY23 mainly due to increase in the demand along with higher realization in CPC. The company achieved PAT of Rs. 37.86 crore in FY23 as against Rs.14.23 crore in FY22. However, in 9MFY24, the TOI stood at Rs.248.81 crore with an estimated PAT of Rs.25.01 crore.

Applicable criteria

Consolidation
Definition of Default
Policy in respect of non-cooperation by issuers
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Energy	Oil, Gas & Consumable Fuels	Consumable Fuels	Coal

Incorporated in June 2005, PCL belongs to the Maniyar group of Kolkata. The group was promoted by Late Mr O P Maniyar. The company is engaged in the manufacturing of CPC with an installed capacity of 60,000 MTPA at Paradeep Orissa.

Maniyar group is one of the largest producers of CPC in India with combined installed capacity of 3,85,000 MTPA for CPC and 76,500 MTPA for CEP, under various group companies including BCL, GCL, DCPL, PCL and NCPL. Furthermore, the group is expanding its capacity at PCL (additional capacity of 60,000 MTPA) which should further add on to the overall capacity. The group takes the order of CPC from its customers as a whole and executes the same in any one of its companies based on the availability of raw material and logistic viability.

Standalone Financials

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	248.59	402.11	248.81
PBILDT	24.94	56.13	33.51
PAT	14.23	37.86	25.01
Overall gearing (times)	3.23	1.34	NA
Interest coverage (times)	3.02	7.96	NA

A: Audited; UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Combined Financials

Brief Financials (₹ crore)	March 31, 2022 (UA)	March 31, 2023 (UA)	9MFY24 (UA)
Total operating income	863.03	1448.14	954.97*
PBILDT	125.39	198.10	71.04
PAT	83.15	124.66	47.50
Overall gearing (times)	0.57	0.51	NA
Interest coverage (times)	5.62	8.86	NA

UA: Unaudited; NA: Not Available; Note: 'the above results are latest financial results available'; *Including intergroup sales

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-ILC/FLC		-	-	-	15.00	CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	30.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB+; Stable (07-Feb-24)	1)CARE BBB+; Stable (06-Jan-23)	1)CARE BBB+; Stable (25-Feb-22)
2	Non-fund-based - ST-ILC/FLC	ST	15.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A3+ (07-Feb-24)	1)CARE A3+ (06-Jan-23)	1)CARE A3+ (25-Feb-22)

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated facilities: Not Applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-ILC/FLC	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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