

Carbon Resources Private Limited

March 05, 2025

Facilities	Amount (₹ crore)	Ratings ¹	Rating Action
Long-term bank facilities	70.09 (Reduced from 85.00)	CARE A+; Stable	Reaffirmed
Long-term / Short-term bank facilities	485.00	CARE A+; Stable / CARE A1+	Reaffirmed
Short-term bank facilities	200.00	CARE A1+	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Carbon Resources Private Limited (CRPL) considers its healthy scale of operations despite moderation in profitability margin in FY24 (refers to April 1 to March 31) and 9MFY25 and strong liquidity profile.

Ratings further derive strength from its experienced promoters having long track record of operations, strategic location of its plants, presence of backward integration, diversified and reputed customer profile, and satisfactory capital structure and debt protection metrics.

Ratings also take note of the acquisition of two ferro alloy plants for a combined cost of ₹150 crore, out of which one unit is operational since January 2025 and another unit shall be operational from Q1FY26.

However, ratings are constrained by its moderate capacity utilisation, profitability susceptible to raw material price volatility, risks associated with change in Government regulations, and increasing contribution in revenue from low margin trading business.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained growth in the scale of operations with significant increase in manufacturing turnover and sustained healthy profitability leading to further strengthening of overall liquidity and financial risk profile.

Negative factors

- Increase in net debt (total debt less of liquid investments) to gross cash accruals (GCA) beyond 3.25x on a sustained basis.
- Decline in the scale of operation and profitability with accruals lower than ₹150 crore.

Analytical approach: Consolidated

For arriving at ratings of CRPL, CARE Ratings Limited (CARE Ratings) has combined the business and financial risk profiles of CRPL and its wholly owned subsidiaries. List of subsidiaries consolidated have been provided in **Annexure-6**.

Outlook: Stable

The Stable outlook reflects that the entity is expected to sustain its strong financial risk profile in the absence of large debt-funded capex or acquisition plans in the medium term, while low-term debt repayment obligations and large cash balances shall support its robust liquidity profile.

Detailed description of key rating drivers

Key strengths

Experienced promoters having long track record of operations

CRPL is engaged in manufacturing calcined petroleum coke (CPC) and carbon electrode paste (CEP) over last two decades. Over the years, promoters have diversified their product portfolio and increased its scale of operations and supplier's base to avoid product concentration risk and supplier's concentration risk. Suresh Kr Jalan, a B.Sc graduate, is the main promoter & founder of the company and is involved in project planning and decision making of the company. His sons, Abhinav Kumar Jalan, an economics graduate from University of Texas, Austin, USA and Abhishek Jalan, a B.Sc and computer engineer from University of Illinois, Urbana, USA, are actively involved in the day-to-day operations and decision making of the company.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Strategic location of its plants

The plants are located at Assam, Bihar, Andhra Pradesh, and Jharkhand, in proximity to oil refineries and/or steel plants/ports resulting in low freight and transportation cost for procuring raw material. The company has recently acquired a ferro alloys unit in Durlavpur, West Bengal, which is also in proximity to the steel plants.

Presence of backward integration for CEP

CRPL's plant at Giridih has backward integration for its CEP facility. Integrated operations help in saving cost and thus commanding higher margin.

Diversified and reputed customer profile

CRPL has diversified customer profile for both manufacturing and trading. Majority customers have long and established relations with CRPL with established credit terms. Finished products (CPC and CEP) forms a small proportion of manufacturing cost in aluminium and ferro alloy industries, making customers less prone to changing suppliers.

Healthy scale of operation despite moderation in profitability margin in FY24 and 9MFY25

The total operating income (TOI) for the company has remained stable at ₹2,907.73 crore in FY24 against ₹2,920.34 crore in FY23. The slight moderation in TOI was on account of decline in manufacturing business as the realisation of CPC and CEP witnessed decline in FY24. However, the management expects manufacturing sales to increase going forward with additional revenues expected to flow in from the two ferro alloys plants acquired by the company out of which one has become operational from January 2025, and another will become operational in Q1FY26. The increased CPC capacity of the company in its Barauni unit is expected to become operational from April 2025, which would also add to additional revenues.

In manufacturing sales, CEP remains larger contributor accounting for ~53% of sales in FY24 (55% in FY23).

In terms of TOI contribution, the company continues to enjoy opportunity-based trading, which has grown from ₹2,051.66 crore in FY23 to ₹2,233.62 crore in FY24.

The PBILDT margin witnessed slight moderation from 8.75% in FY23 to 8.31% in FY24 on account of increase in trading sales which fetches lower margin compared to manufacturing sales. In FY25, the PBILDT margin is further expected to moderate to ~7% on account of subdued ferro alloy market and subsequently impacting the demand of CEP.

The revenue generated from manufacturing business witnessed moderation from ₹843.79 crore in FY23 to ₹624.34 crore in FY24, mainly due to decline in both volume and realisation of CEP and CPC.

With increase in trading business, majorly funded out of working capital borrowings, the interest cost has increased. However, with higher non-operating income of the liquidity available with the company, profit after tax (PAT) margin witnessed improvement from 6.20% in FY23 to 6.98% in FY24.

In 9MFY25, the company earned PBILDT of ₹193 crore on a TOI of ₹2,522 crore against ₹208 crore on a TOI of ₹2,364 crore in 9MFY24.

Satisfactory capital structure and debt protection metrics

The capital structure marked by overall gearing ratio continues to remain satisfactory despite moderation in overall gearing. The overall gearing ratio stood at 1.19x as on March 31, 2024 (against 0.87x as on March 31, 2023). The moderation is on account of increase in total debt, mainly working capital borrowings to fund its increased trading business. To avail additional discounts, the company is making advance payments to its suppliers which has led to increased working capital borrowings. While the debt levels continue to remain moderately high due to higher short-term borrowings to support large trading volumes, with healthy profitability accretion, the capital structure continues to remain satisfactory.

With increase in interest cost, PBILDT interest coverage has witnessed moderation from 6.61x in FY23 to 3.71x in FY24; however, the same continues to remain satisfactory.

TDGCA witnessed moderation from 3.62x as on March 31, 2023, to 5.47x as on March 31, 2024, considering increase in total debt. However, the company has strong liquidity available with it in the form of free cash and bank balance and investments in mutual funds and quoted equity shares. Taking cognisance of the same, Net debt/GCA stood at 2.89x as on March 31, 2024, against 1.66x as on March 31, 2023.

Key weaknesses

Moderate capacity utilisation

In FY24, the capacity utilisation (CU) of CEP moderated to 57% in FY24 from 86% in FY23. The moderation is majorly on account of increase in installed capacity from 60,000 MTPA in FY23 to 126,000 MTPA in FY24 (additional 66000 MTPA capacity increased from November 2023 onwards). The capacity utilisation of CPC has remained stable at 64% in FY24 against 72% in FY23. The slight reduction in utilisation is majorly owing to subdued demand scenario of CPC industry leading to low demand. Going forward, the management expects the CU to improve for both CEP and CPC.

Susceptibility of profitability to raw material price volatility

CRPL manufactures two finished products, CPC and CEP. The primary raw material for manufacturing CPC is raw petroleum coke (RPC) and for CEP is anthracite coal and coal tar. Currently, CRPL procures RPC from domestic oil refineries like Indian Oil Corporation Ltd and coal tar mainly from Steel Authority of India Limited (SAIL). Coal tar is primarily derived as by-product from steel manufacturing industries, the prices of which depend on industries exhibiting volatility and cyclicalities. Since prices of raw materials and finished goods are volatile in nature, the profitability of CRPL remains volatile.

In January 2025, the company has also started manufacturing low and medium carbon silico manganese for which the major raw material is manganese ore. Manganese ore is majorly imported by the company and the company is involved in trading manganese ore since 2019.

Exposure to risks associated with Government regulations

Since pet coke is considered a pollutant, the company's operations 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 company's operation. However, company's domestic procurement from Indian Oil Corporation Limited may limit such exposures over the medium term.

Increasing contribution in revenue from trading business segment

The company started with trading of manganese ore in 2019, and subsequently added coal, coke and ferro alloys in its portfolio. In the last few years, trading segment has witnessed healthy growth and has been a substantial contributor in topline and profitability. Since CRPL had comfortable financial flexibility, it provided opportunity to CRPL to import anthracite coal, manganese ore, and ferro alloys in bulk and sell in smaller quantities.

Liquidity: Strong

The company has free cash and liquid investment of ₹386.33 crore as on March 31, 2024 (majorly includes ₹281.31 crore of cash and bank balance, ₹81.97 crore in equity shares held for trading, and ₹23.04 crore of Mutual Fund investments). It has lien marked mutual funds and FD of ₹165.50 crore as on March 31, 2024, for availing OD, BG and LC- limits. The company reported healthy GCA of ₹213.73 crore against debt repayment obligation of ₹8.33 crore in FY24. In FY25, the company has debt repayment obligation of ~₹33 crore against which it is expected to generate sufficient cash accruals. The management has maintained that the company would at any point of time maintain liquidity in the form of cash and bank balance, investments in mutual funds and equity shares, among others, and lien marked FDs of over ₹350 crore.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Energy	Oil, gas & consumable fuels	Consumable fuels	Coal

CRPL was incorporated in September 1991 for manufacturing coal tar pitch in Giridih (Jharkhand). Over the years, the company has done acquisition, and undertaken diversification and integration capex, to gradually expand its products base to include CEP having capacity of 126,000 MTPA, tamping paste, and CPC having capacity of 51,800 MTPA spread over its four manufacturing facilities at Giridih (Jharkhand), Barauni (Bihar), Bobbili (Andhra Pradesh), and Bongaigaon (Assam). The company has increased its CPC manufacturing capacity by another 24,800 MT in Barauni (increasing overall capacity to 76,600 MT). The unit is expected to be operational from Q1FY26. Recently, the company has acquired two ferro alloys plant out of which one has become operational from January 2025 and another will become operational in Q1FY26. The company is also into trading of manganese ore, ferro alloys, coal, and coke.

Brief consolidated Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)*
Total operating income	2,920.34	2,907.73	2,522.00
PBILDT	255.48	241.60	193.00
PAT	181.19	202.93	116.00
Overall gearing (times)	0.87	1.19	1.14
Interest coverage (times)	6.61	3.71	2.57

A: Audited UA: Unaudited; Note: these are latest available financial results

*Standalone financials

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 facilities

Name of the facilities	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE A+; Stable
Fund-based - LT-Term Loan		-	-	December 2027	50.09	CARE A+; Stable
Fund-based - LT/ ST-Working Capital Limits		-	-	-	100.00	CARE A+; Stable / CARE A1+
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	375.00	CARE A+; Stable / CARE A1+
Non-fund-based - LT/ST-Derivative Limits		-	-	-	10.00	CARE A+; Stable / CARE A1+
Non-fund-based - ST-Letter of credit		-	-	-	200.00	CARE A1+

Annexure-2: Rating history for last three years

Sr. No.	Name of the 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	-	-	1)Withdrawn (16-May-24)	1)CARE A+; Stable (07-Mar-24) 2)CARE A+ (RWD) (25-May-23)	1)CARE A+ (RWD) (01-Feb-23) 2)CARE A+; Stable (02-Jan-23)	-
2	Non-fund-based - ST-Letter of credit	ST	200.00	CARE A1+	1)CARE A1+ (16-May-24)	1)CARE A1+ (07-Mar-24) 2)CARE A1+ (RWD) (25-May-23)	1)CARE A1+ (RWD) (01-Feb-23) 2)CARE A1+ (02-Jan-23)	-
3	Fund-based - LT/ST-Working Capital Limits	LT/ST	100.00	CARE A+; Stable / CARE A1+	1)CARE A+; Stable / CARE A1+ (16-May-24)	1)CARE A+; Stable / CARE A1+ (07-Mar-24) 2)CARE A+ / CARE A1+ (RWD) (25-May-23)	1)CARE A+ / CARE A1+ (RWD) (01-Feb-23) 2)CARE A+; Stable / CARE A1+ (02-Jan-23)	-
4	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	375.00	CARE A+; Stable / CARE A1+	1)CARE A+; Stable / CARE A1+ (16-May-24)	1)CARE A+; Stable / CARE A1+ (07-Mar-24) 2)CARE A+ / CARE A1+ (RWD) (25-May-23)	1)CARE A+ / CARE A1+ (RWD) (01-Feb-23) 2)CARE A+; Stable / CARE A1+ (02-Jan-23)	-
5	Non-fund-based - LT/ST-Letter of credit	LT/ST	-	-	1)Withdrawn (16-May-24)	1)CARE A+; Stable / CARE A1+ (07-Mar-24)	1)CARE A+ / CARE A1+ (RWD) (01-Feb-23)	-

						2)CARE A+ / CARE A1+ (RWD) (25-May-23)	2)CARE A+; Stable / CARE A1+ (02-Jan-23)	
6	Non-fund-based - LT/ST-Derivative Limits	LT/ST	10.00	CARE A+; Stable / CARE A1+	1)CARE A+; Stable / CARE A1+ (16-May-24)	1)CARE A+; Stable / CARE A1+ (07-Mar-24) 2)CARE A+ / CARE A1+ (RWD) (25-May-23)	-	-
7	Fund-based - LT-Term Loan	LT	50.09	CARE A+; Stable	1)CARE A+; Stable (16-May-24)	-	-	-
8	Fund-based - LT-Cash Credit	LT	20.00	CARE A+; Stable	1)CARE A+; Stable (16-May-24)	-	-	-

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	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-Working Capital Limits	Simple
4	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple
5	Non-fund-based - LT/ ST-Derivative Limits	Simple
6	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

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

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Carbon Resources HK Limited (CHKL)	Full	Wholly-owned Subsidiary
2	Everdeliver Logistics Private Limited	Full	Wholly-owned Subsidiary
3	CR Capital Private Limited	Full	Wholly-owned Subsidiary
4	CR advance materials Private Limited (CRAM)	Full	Subsidiary
5	CR Trading DMCC	Full	Wholly-owned Subsidiary

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.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Arindam Saha Director CARE Ratings Limited Phone: 033 - 4018 1631 E-mail: arindam.saha@careedge.in
Relationship Contact Saikat Roy Senior Director CARE Ratings Limited Phone: +91-22-6754 3404 E-mail: saikat.roy@careedge.in	Kamal Mahipal Assistant Director CARE Ratings Limited Phone: 033 - 4018 1628 E-mail: kamal.mahipal@careedge.in
	Tridib Kundu Analyst CARE Ratings Limited E-mail: Tridib.Kundu@careedge.in

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