

Gujarat Credo Alumina Chemical Private Limited

April 30, 2021

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	175.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB+; Stable; (Double B Plus; Outlook: Stable)
Total Facilities	175.00 (Rs. One Hundred Seventy-Five Crore Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 31, 2020, placed ratings of Gujarat Credo Alumina Chemicals Private Limited (GCACPL) under the 'Issuer Not-Cooperating' category as GCACPL had failed to provide information for monitoring of the ratings and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. GCACPL continues to be non-cooperative despite repeated requests for submission of information through phone calls and emails dated April 19, 2021, April 20, 2021, April 22, 2021, April 23, 2021. 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 revision in the ratings for GCACPL takes into account non-availability of adequate information.

The rating assigned to the bank facilities of GCACPL continues to remain constrained on account of project risk in terms of stabilization of the project and achievement of envisaged level of operations and profitability, competition from established player and risk associated with lower supply of bauxite by GMDC. The rating also factors in the losses reported in FY20 (FY refers to the period from April 1 to March 31).

The rating however continues to derive strength from its experienced promoters having long standing experience in the bauxite processing business, synergetic operations of the envisaged project under GCACPL being a forward integration of the existing operations of its group company [i.e. Gujarat Credo Mineral Industries Ltd. (GCMIL, rated CARE BBB+; Stable/ CARE A2)], strategic location of its proposed manufacturing facility at Mundra SEZ and long term bauxite supply agreement of GCMIL with Gujarat Mineral Development Corporation Limited (GMDC).

Detailed description of the key rating drivers

At the time of last rating on March 31, 2020, the followings were the rating strengths and weaknesses (updated from best available information which includes annual report for FY20):

Key Rating Weaknesses

Project Risk and losses reported in FY20

Gujarat Credo Alumina Chemicals Private Limited had completed the ATH (alumina tri-hydrate) project as of June 23, 2019 and started commercial production of the same. The project cost was of Rs. 319.23 crore. GCACPL is an incorporated as a part of strategy to integrate the whole Bauxite processing value chain of CMIL. GCACPL will be consuming ~1.18 lakh MTPA of beneficiated Bauxite manufactured by GCMIL to fully utilize its ATH installed capacity of 65,000 MTPA. During FY20, GCACPL had reported TOI of Rs.44.76 crore with net loss of Rs.10.18 crore.

Strong competition from established player in the market

In India, Hindalco is the single largest player which has dominant domestic market share of 80%-90% which allows it to dictate prices & quantities to be sold and hence it is likely to act as a strong competitor for GCACPL once its manufacturing facility is operational.

Risk associated with lower than required raw bauxite supply by GMDC

Project of GCACPL being a forward integration would critically depend on supply of beneficiated bauxite from GCMIL and in turn supply of beneficiated bauxite from GCMIL would depend on required supply of raw bauxite by GMDC. During

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

FY19, there had been lower than required raw bauxite supply by GMDC to GCMIL due to some mining related issues at the end of GMDC despite its long-term bauxite supply agreement with it. Going forward required supply of raw bauxite from GMDC would be critical.

Key Rating Strengths

Experienced promoters with track record in similar line of business

GCACPL is a wholly owned subsidiary of Credo Mineral Industries Ltd (CMIL), which has resourceful promoters. As on March 31, 2020, CMIL on a standalone basis had a net worth of Rs. 179.69 crore. Gujarat Apollo Industries Ltd. (Gujarat Apollo) which holds ~23% stake in CMIL, had a net worth of Rs. 493.21 crore on a consolidated basis as on March 31, 2020 with negligible debt on its books. Chem Asia Technologies Pte Ltd. (Chem Asia) has invested funds in CMIL wherein it holds 12.24% stake as on March 31, 2020 against exclusive right of 25% of production of GCACPL. The balance equity in CMIL is held by promoters of Credo group along-with their family members and few HNIs. GCMIL (rated CARE BBB+; Stable/ CARE A2), a group company of GCACPL, is engaged in related field of manufacturing of beneficiated bauxite for the last five years.

Availability of long term raw bauxite supply agreement between GMDC and GCMIL

GMDC is a GoG owned company, having huge reserves of bauxite in the state of Gujarat. GCMIL has a long term bauxite supply agreement with GMDC to meet its requirement. This arrangement with GMDC for raw bauxite supply imparts competitive edge to the operations of GCMIL from which even GCACPL is envisaged to benefit as it is envisaged to be an extension of the operations of GCMIL.

Location advantage of setting up manufacturing plant at Mundra SEZ

Manufacturing facility of GCACPL is to be strategically located at Mundra SEZ which will give huge logistic advantage to its export business. In addition, GCACPL would also benefit from various SEZ exemptions available in the form of Taxes, cess, duties, etc.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)
[Criteria on assigning Outlook to Credit Ratings](#)
[CARE's Policy on Default Recognition](#)
[Financial ratios – Non-Financial Sector](#)
[Rating Methodology- Manufacturing companies](#)
[Rating Methodology: Notching by factoring linkages in Ratings](#)

About the Company

Incorporated on May 14, 2016 to setup a forward integration project to manufacture different grades of ATH, GCACPL (CIN: U14290GJ2016PTC092013) is wholly owned subsidiary of CMIL. Beneficiated bauxite manufactured by its group company viz. GCMIL would be used as a raw material by GCACPL for manufacturing ATH. GCACPL's manufacturing facility would be located at Mundra Special Economic Zone (SEZ), Gujarat with an installed capacity of 65,000 MTPA.

Brief Financials (Rs. Crore)	FY20 (A)
Total operating income	43.74
PBILDT	23.12
PAT	-10.18
Overall gearing (times)	2.33
Interest coverage (times)	1.01

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instruments/facility: Please refer Annexure-3

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	March, 2029	175.00	CARE BB; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	175.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (31-Mar-20)	1)CARE BBB-; Stable (04-Feb-19)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Term Loan	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications

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