Guwahati Carbon Limited

September 30, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	25.00	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BBB+; Stable; (Triple B Plus; Outlook: Stable)
Total Bank Facilities	**25.00 (₹ Twenty-Five Crore Only)**		

Details of instruments/facilities in Annexure-1.

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated April 01, 2022, placed the ratings of Guwahati carbon Limited (GCL) under the 'issuer non-cooperating' category as GCL had not paid the surveillance fees for the rating exercise as agreed in its Rating Agreement. GCL continues to be non-cooperative despite repeated requests for submission of information through phone calls and an email dated September 26, 2022. Furthermore, GCL has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. 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 rating is pursuant to Securities and Exchange Board of India (SEBI)'s circular no. SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dated January 3, 2020, regarding 'Strengthening of the rating process in respect of Issuer Non-Cooperation (INC) ratings'. SEBI has in this circular mentioned that "If an issuer has all the outstanding ratings as non-cooperative for more than 6 months, then the CRA shall downgrade the rating assigned to the instrument of such issuer to non-investment grade with INC status."

Detailed description of the key rating drivers

At the time of last rating on April 01, 2022, the following were the rating weaknesses and strengths:

Key Rating Weaknesses

Moderate capacity utilization on combined basis in FY21

The capacity utilization of the group remained moderate with slight improvement from 35% in FY20 to 39% in FY21. The capacity utilisation however, witnessed a decrease in Brahmaputra Carbon Limited (BCL) from 31% in FY20 to 26% in FY21 due to limited supply of raw materials while it remained relatively at same levels for NCPL, and GCL with slight improvement in Digboi Carbon Private Limited (DCPL). However, the capacity utilisation in PCL increased substantially from 38.58% in FY20 to 51.37% in FY21 on account of increase in demand for high sulphur content coke, the requirement of which can only be met by facilities at Paradip Calciner Limited (PCL) plant. Further with increase in orders at PCL plant, the capacity utilization showed significant improvement to 79% which kept the overall utilization of the group at 38% in 9MFY22.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications
*Issuer did not Co-operate; Based on best available information

Risk relating to availability and price volatility of volatility of RPC and CPC

RPC is the major raw material for the production of CPC. The group sources RPC mainly from domestic market and a few portions from International market. The group has a locational advantage in Assam as 3 of its units are located in Assam (only place where the graphite grade RPC is available) and during the auction in Assam, earlier the entire quantity was first allocated to the units established within the state. It has changed recently where 80% of the raw material is allocated to Assam and the rest 20% outside the state. 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 company has to maintain adequate inventory so as to ensure continuous production. This results in high inventory days of around 201 days in FY21(203 days in FY20). The working capital cycle of the group deteriorated from 156 days in FY20 to 188 days in FY21 due to sharp decline in creditor days from 95 days in FY20 to 21 days in FY21.

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 Rating 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. He is well supported by Mr S. K. Hazra, CEO, who has more than three decades of experience in the banking and manufacturing sector. 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 CEP. The group has various companies engaged in the manufacturing of CPC with three units located in Assam, two in Bihar and one unit in Odisha.

Strategic location of the units of the group

The group's manufacturing facilities are located in proximity to its raw material supplier i.e. oil refineries. 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.

Comfortable capital structure with healthy net worth base

On a combined basis, the capital structure of the group remained comfortable with stable overall gearing ratio of 0.51x as on March 31, 2021. The total debt as on March 31, 2021 remained at almost similar level when compared to March 31, 2020. The increase in working capital borrowings was offset by reduction of the unsecured loan from the promoters and other group companies.

On a standalone basis, the capital structure remained comfortable in FY21. The overall gearing ratio stood at 0.04x as on March 31, 2021 (0.05x as on March 31, 2020).

Reputed clientele base from diversified industry

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 February 01, 2022, the group has an order book position of Rs.272.76 crore.

Improvement in the financial performance of the company in FY21 and 9MFY22

On a combined basis, the total operating income of the group increased by around 16% y-o-y to Rs.418.97 crore in FY21 from Rs.361.96 crore in FY20 despite the covid-19 pandemic mainly due to increase in the demand post Q1FY21. A steep increase in price differential between the selling price and input cost resulted in operating profit of Rs.31.84 crore in FY21 as against operational loss of Rs.3.64 crore in FY20. Accordingly, the group achieved PAT of Rs.3.86 crore vis-à-vis net loss of Rs.36.62 crore in FY20. The group earned cash profit of Rs.15.22 crore as against debt repayment obligation of Rs.10.08 crore in FY21. In 9MFY22, the combined sales of the group stood at Rs.875 crore with significant increase in the sales realization.

On standalone basis, the total operating income witnessed a slight moderation of 5.09% y-o-y from Rs.100.98 crore in FY20 to Rs.95.84 crore in FY21 mainly on account of decline in other operating income. The company achieved PAT of Rs.1.59 crore in FY21 as against net loss of Rs.11.88crore in FY20.

Analytical approach: Combined. For arriving at its ratings, CARE has combined the business and financial profiles of BCL, GCL, NCPL, DCPL and PCL (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.

Applicable criteria

Policy in respect of Non-cooperation by issuer
Policy on default recognition
Consolidation
Factoring Linkages Parent Sub JV Group
Financial Ratios – Non-financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Manufacturing Companies

About the company

Incorporated in March 1988 by Mr. O P Maniyar and having commenced the production from February 1996, GCL belongs to Maniyar group of Kolkata. Engaged in the manufacturing of CPC, the company commenced its commercial production with an installed capacity of 30,000 MTPA and has since then expanded its capacity to the present 1,00,000 MTPA and 18000 MTPA of CEP. The manufacturing facility of the company is located in Guwahati, Assam.

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. The group takes the order of CPC from its customers as a whole and executes the same in any one of its company based on the availability of raw material and logistic viability.

Brief Financials – Standalone (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (Prov.)	FY22/Q1FY23
Total Operating Income	100.98	95.84	246.16	NA
PBILDT	-7.26	3.87	NA	NA
PAT	-11.88	1.59	NA	NA
Overall gearing (times)	0.05	0.04	NA	NA
Interest coverage (times)	-1.93	2.91	NA	NA

A: Audited; Prov.: Provisional; NA: Not Available

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 instrument / facility: 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-Cash Credit	-	-	-	-	11.00	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	-	14.00	CARE BB+; Stable; ISSUER NOT COOPERATING*

*Issuer did not Co-operate; Based on best available information

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-Cash Credit	LT	11.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (01-Apr-22)	-	1)CARE BBB+; Negative (03-Mar-21) 2)CARE BBB+; Negative (03-Apr-20)	1)CARE BBB+; Stable (04-Apr-19)
2	Fund-based - LT-Cash Credit	LT	14.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	1)CARE BBB+; Stable; ISSUER NOT COOPERATING* (01-Apr-22)	-	1)CARE BBB+; Negative (03-Mar-21)	1)CARE BBB+; Stable (04-Apr-19)

							2)CARE BBB+; Negative (03-Apr-20)	

*Issuer did not Co-operate; Based on best available information

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

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

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	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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About us:
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