Press Release

August 23, 2010

CARE ASSIGNS 'CARE BBB' AND 'PR3+' RATINGS TO THE BANK FACILITIES OF GOA CARBON LTD.

Ratings Assigned

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	51.00	'CARE BBB' (Triple B)	Assigned
Short-term Bank Facilities	245.00	'PR3+' (PR Three Plus)	Assigned
Total Facilities	296.00		

Rating Rationale

The ratings derive strength from the long track record of GCL in the Calcined Petroleum Coke (CPC) industry, its professionally qualified and experienced management, the company's long-standing relationship with its clients and geographically diversified manufacturing setup of the company. The ratings also factor in the absence of any long-term debt in the company. However, the ratings are constrained by GCL's exposure to the raw material price volatility and currency risk, moderately high working capital cycle mainly due to high inventory holding period and high overall gearing ratio. Besides, the profit margins are susceptible to volatile raw material prices due to GCL's inability to pass on the raw material price rise, as witnessed in FY10.

The ability of GCL to manage the commodity price risk as well as maintain its profit margins are the key rating sensitivities.

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

Company Profile

GCL, incorporated in 1967, is a part of the Dempo Group which has interest in iron ore mining and exports, pig iron, marine and industrial paints, construction, publishing, ship building, travel and trade. GCL is engaged in manufacturing of CPC having 240,000 metric tonne per annum capacity. During FY10 GCL posted total income of Rs.213 crore, a y-o-y drop of about 51%, mainly due to substantial fall in the commodity prices. The fall in prices coupled with high-priced inventory led to substantial drop PBILDT and PAT margin of the company from 7.30% and 2.85% in FY09 to 5.30% and 0.07% in FY10.

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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.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

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