

Gujarat Credo Alumina Chemicals Private Limited

March 31, 2020

Ratings

Facility	Amount (Rs. crore)	Ratings ¹	Rating Action
Long term Bank Facilities	175.00	CARE BB+; ISSUER NOT COOPERATING* (Double B Plus; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE BBB-; Stable (Triple B Minus; Outlook: Stable) on the basis of best available information
Total	175.00 (Rupees One Hundred and Seventy Five Crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Gujarat Credo Alumina Chemicals Private Limited (GCACPL) to monitor the rating(s) vide e-mail communications/letters dated January 17, 2020, February 03, 2020, February 06, 2020, February 26, 2020, March 5, 2020, March 17, 2020, March 20, 2020 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 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. Further, GCACPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on GCACPL's bank facilities will now be denoted as **CARE BB+; Stable; 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 non-availability of information and lower than envisaged sales during 9MFY20.

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 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)], 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 February 4, 2019, the followings were the rating strengths and weaknesses (updated for the information available about the project status and sales provided by the company):

Key Rating Weaknesses

Project Risk: Project was completed on June 23, 2019 with a total cost of Rs.319.23 crore as against envisaged cost of Rs.298.05 crore. As per monthly sales information provided by the client the company has reported net sales of Rs. 24.78 crore till December 31, 2019 which is relatively lower than envisaged levels. There is a project stabilization risk in terms of achievement of envisaged Total Operating Income (TOI) and profitability.

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

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

GCMIL would depend on required supply of raw bauxite by GMDC. During 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, 2019, CMIL on a standalone basis had a net worth of Rs. 167 crore. Gujarat Apollo Industries Ltd. (Gujarat Apollo) which holds ~23% stake in CMIL, had a net worth of Rs. 477 crore on a consolidated basis as on March 31, 2019 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, 2019 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](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - 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. The company incurred a project cost of Rs. 319 crore which was funded by equity of Rs. 123 crore, unsecured loans amounting to Rs. 10 crore, term loans from banks amounting to Rs. 143 crore and creditors amounting to Rs. 43 crore. The project started commercial production on June 23, 2019.

Brief Financial: Not applicable as company started commercial production in June 2020.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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 not cooperating; Revised from CARE BBB-; Stable on the basis of best available information

*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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	175.00	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable on the basis of best available information	-	1)CARE BBB-; Stable (04-Feb-19)	1)CARE BBB-; Stable (14-Nov-17)	-

*Issuer did not cooperate; Based on best available information

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.

CONTACT US

Media Contact

Mr. Mradul Mishra
 Contact No.: +91-22-6837 4424
 Email ID – mradul.mishra@careratings.com

Analyst Contact

Mr. Akhil Goyal
 Contact No.: +91-79-4026 5621
 Email ID – akhil.goyal@careratings.com

Relationship Contact

Mr. Deepak Prajapati
 Contact No.: +91-79-4026 5656
 Email ID – deepak.prajapati@careratings.com

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