January 05, 2015

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES/INSTRUMENTS OF PHILLIPS CARBON BLACK LIMITED

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	741 (reduced from 795.37)	**'CARE A' (Single A)**	Reaffirmed
Long/Short term Bank Facilities	2,100 (enhanced from 1,850)	**'CARE A/CARE A1' (Single A/A One)**	
Total Facilities	**2,841**		
Instruments			
Short-term debt (including Commercial Paper)*	50	**'CARE A1' (A One)**	Reaffirmed

**carved out of fund-based working capital bank limit*

Rating Rationale

The ratings continue to derive strength from the strong group support and satisfactory track record of Phillips Carbon Black Ltd. (PCBL), leadership position in the domestic carbon black industry, strategic location of the plant, steady source of revenue from the power segment and strong export presence. The ratings continue to be constrained by the risk of volatility in raw material & finished goods prices, non-availability of quality raw material in the domestic market, stiff competition from imports, foreign exchange fluctuation risks, stringent pollution norms for the industry and cyclicality in the industry due to heavy dependence on the fortune of tyre industry.

The ratings also factor in the improvement in profitability margins in H1FY15 after deterioration in FY14 (refers to the period between April 01 to March 31) and deterioration in overall gearing ratio.

Effective utilization of existing capacities, achievement of desired yield improvement, volatile foreign exchange movement or sharp rupee depreciation and venturing into any debt laden capex in the near future are the key rating sensitivities.

Background

PCBL, incorporated in 1960, is engaged in the manufacturing & sale of carbon black (CB), which is mainly used in tyre & other rubber products. It is the leading producer of CB in the country and eight largest in the world**,** with an installed capacity of 4,72,000 MTPA. Further, PCBL also has captive power plants (CPP) at all its locations (aggregate capacity of 76 MW). The company also produces and sells excess electric power generated from the low calorific value off gas which is generated in the process of manufacturing of CB. Sale of surplus power to grid provides a steady alternative revenue stream. PCBL is managed under the stewardship of Kolkata-based RP–Sanjiv Goenka group.

Currently, its plants are located at Durgapur (West Bengal), Mundra (Gujarat), Palej (Gujarat) and Kochi (Kerala) which facilitates in optimizing transportation cost.

In FY14, PCBL reported a loss of Rs.86.60 crore (loss of Rs.20.65 crore in FY13) on total operating income of Rs.2,277.46 crore (Rs.2,284.91 crore in FY13). In H1FY15, the company reported a PAT of Rs.5.19 crore on a total operating income of Rs.1,270.71 crore as against loss of Rs.73.15 crore on total operating income of Rs.1,122.89 crore in H1FY14.

Analyst Contact

Name: Mamta Muklania
Tel: 033-4018 1600
Email: mamta.khemka@careratings.com

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

For detailed Rationale Report and subscription information, please contact us at www.careratings.com

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

Head Office Mumbai

Mr. D.R. Dogra
Managing Director
Mobile: +91-98204 16002
E-mail: dr.dogra@careratings.com

Mr. Rajesh Mokashi
Dy. Managing Director
Mobile: +91-98204 16001
E-mail: rajesh.mokashi@careratings.com

Ms. Meenal Sikchi
Vice President - Bank Loan & Instrument Rating
Mobile: +91-9819009839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Vice President - Bank Loan & Financial Services
Mobile: +91-9819698985
E-mail: ankur.sachdeva@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

Other Office:
503, Kaledonia, Sahar Road, Near Andheri Railway Station, Andheri (E), Mumbai - 400 069
Tel: +91-22-6144 3456 | Fax: +91-22-6144 3556

AHMEDABAD
Mr. Mehul Pandya
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-98242 56265
Tel: +91-79-4026 5656
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Dinesh Sharma
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91-99000 41975
Tel: +91-80-4115 0445, 4165 4529
E-mail: dinesh.sharma@careratings.com

CHANDIGARH
Mr. Sajan Goyal
2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.
Cell: +91 99888 05650
Tel: +91-172-5171 100 / 09
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Saikat Roy
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Tel: +91-40-4010 2030
E-mail: saikat.roy@careratings.com

JAIPUR
Mr. Harsh Raj Sankhla
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 94139 69100
Tel: +91-141-402 0213 / 14
E-mail: harshraj.sankhla@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr. Rahul Patni
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-78754 33355
Tel: +91-20- 4000 9000
E-mail:rahul.patni@careratings.com

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