DECEMBER 09, 2016

CARE REAFFIRMS THE RATINGS ASSIGNED TO BANK FACILITIES AND CP ISSUE OF PHILLIPS CARBON BLACK LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long term Bank Facilities	824.82	**CARE A; Positive (Single A; Outlook: Positive)**	Reaffirmed
Long-term/Short term Bank Facilities	1850	**CARE A; Positive/CARE A1+ (Single A; Outlook: Positive/A One Plus)**	Reaffirmed
Total Facilities	**2,674.82 (Rupees Two thousand six hundred seventy four crore and eighty two lacs only)**		
Instruments			
Commercial Paper issue (CP)*	**500.00 (Rupees Five Hundred crore)**	**CARE A1+ (A One plus)**	Reaffirmed

* The aggregate of outstanding CP and other working capital borrowings shall be within the sanctioned fund-based working capital limits with banks

Rating Rationale

The ratings continues 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, strong export presence and complete hedging of net forex exposure. The rating takes into account the improvement in the liquidity position of the company supported by the moderation in crude oil prices along with improvement in capacity utilisation on the back of re-instatement of anti-dumping duty on carbon black in November-2015 and reduction in working capital utilisation of the company.

The ratings also factors in the risk of volatility in raw material & finished goods prices, moderate overall gearing ratio (albeit, improving), stringent pollution norms for the industry and cyclicality in the industry due to heavy dependence on the fortune of tyre industry.

Improvement in profitability & capital structure, trend in crude oil prices and ability of the company to complete the proposed project within envisaged timeline and cost are the key rating sensitivities.

Outlook: Positive

The outlook on the long term rating is ‘Positive’ on expectation of continued improvement in profitability due to improvement in the industry scenario.

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 seventh largest in the world, with an installed capacity of 4,72,000 MTPA (metric tonne per annum).

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

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 FY16, PCBL reported a PAT of Rs.22.86 crore (Rs.12.64 crore in FY15) on total income of Rs.1,912.67 crore (Rs.2,484.53 crore in FY15).

In H1FY17 (refers to the period April 01 to September 30), PCBL reported PAT of Rs. 27.20 crore (Rs. 7.10 crore in H1FY16) on a total operating income of Rs. 987.36 crore (Rs. 1,099.82 crore in H1FY16).

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