

June 15, 2010

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF GUWAHATI CARBON LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings¹	Remarks
Long-term bank facilities	10.0	'CARE BBB' (Triple B)	Reaffirmed
Short-term bank facilities	13.3	'PR3' (PR Three)	Reaffirmed
Total Facilities	23.3		

Rating Rationale

The aforesaid ratings continue to draw strength from the considerable experience of the promoters, impressive client portfolio, comfortable debt-equity & overall gearing ratios and satisfactory demand outlook for Calcined Petroleum Coke (CPC), being in line with the growth in the aluminium industry. The ratings are however constrained by the small size of the company with informal management set up, erratic nature of net sales, dependence on single product, substantial dependence on the fortunes of the aluminium industry, volatility in the raw material & finished goods prices and dominance of large players - both on the demand as well as on the supply fronts. GCL's ability to improve current profit level in view of volatility in the raw material & finished goods prices and major expansion programme in the aluminium industry would remain the key rating sensitivities.

Company Profile

Guwahati Carbon Limited (GCL), incorporated in March 1988, belongs to Maniyar group having around three decades of experience in manufacturing of CPC.

GCL is engaged in the manufacturing of CPC in Guwahati, Assam, with an aggregate installed capacity of 1,00,000 Metric Tones Per Annum (MTPA). CPC finds usage in core industries like aluminium, steel, graphite and other metallurgical industries, with aluminium industry accounting for more than 75% of total CPC demand.

GCL earned PBILDT of Rs.12.1 crore and PAT (after defd. tax) of Rs.7.1 crore on net sales of Rs.131.6 crore in FY09. Net sales increased by 70% in FY09 over FY08 on account of higher average net sales price realisation (ANSPR) arising out of the higher demand of CPC from the domestic sector in H1FY09. However, PBILDT grew at a relatively lower rate of 53% due to the higher increase in raw material expenses vis-à-vis ANSPR. Consequently, PBILDT margin witnessed a marginal decline in FY09.

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

Higher PBILDT vis-à-vis lower capital charge led to a significant increase in PAT (after defd. tax) level and margin in FY09.

Long term debt equity ratio was nil and overall gearing ratios were also comfortably low.

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CARE 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

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