

## Active Char Products Private Limited

Instrument	Amount (In Rs Crore)	Rating Action
Long-term – Fund based facilities	10.50 (revised from 1.50)	[ICRA]BB (Stable); upgraded from [ICRA]BB- (Stable)
Short-term – Fund based facilities	0.00 (revised from 9.00)	-
Short-term – Non fund based facilities	2.00	[ICRA]A4; reaffirmed

ICRA has upgraded the long-term rating of [ICRA]BB<sup>-1</sup> (pronounced ICRA double B minus) to [ICRA]BB (pronounced ICRA double B) to the Rs 10.50 crore<sup>2</sup> (revised from Rs 1.50) fund based facilities of Active Char Products Private Limited (“ACPPL”/ “the company”). The outlook on the long-term rating is stable. ICRA has reaffirmed the short-term rating of [ICRA]A4 (pronounced ICRA A four) to the Rs 2.00 crore non-fund based facilities of ACPPL.

While arriving at the ratings, ICRA has consolidated the financials of the three group companies of Mfar group – Indo German Carbons Limited, Cochin Surfactants Private Limited and Active Char Products Private Limited; given the common operational profile and strong financial linkages.

The rating upgrade takes into account sustained improvement in the capital structure owing to modest accruals and stable debt levels over the last few fiscals and improvement in margins in FY2016 following the weak profitability witnessed in FY 2015. The ratings also reflect the longstanding experience of the promoters in managing varied businesses and also the Group’s substantial experience in production and marketing of activated carbon; steady demand for the product from multiple industries, backed by proven applications, and also the healthy relationship of the Group with various reputed customers.

However, the ratings continue to be constrained by the considerable margin risk associated with this business owing to raw material cost volatility as witnessed by steep decline in margins during FY2014 and FY2015 and adverse currency fluctuations. The ratings are further constrained by the stiff international competition from other tropical countries and high competition from numerous small players within India resulting from the low capital requirements for this business. Regulatory risk inherent to the manufacture of activate carbon business is the other rating concern.

### Company Profile

Incorporated in 2004, Active Char Products Private Limited (“ACPPL”/“the company”) is a 100% Export Oriented Unit (EOU) set up to manufacture coconut shell based activated carbon that finds its application majorly in gold extraction and water purification. The manufacturing unit is set up in Edayar, Kochi and the current capacity of the company is 4680 MTPA. ACPPL majorly caters to the export market with South Africa being the primary market.

ACPPL is part of the Mfar Group which started operations in India in 1995 and it has presence across various sectors including construction, hospitality, manufacturing, and real estate. The Group ventured into activated carbon manufacturing in 1995 through IGCL and has further set up three more manufacturing entities- Cochin Surfactants Private Limited, Active Char Products Private Limited and Kalpa Char Products Private Limited. The total activated carbon manufacturing capacity of the Group is around 14,400 MTPA making it one of the largest manufacturers in the country.

<sup>1</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

<sup>2</sup> 100 lakh = 1 crore = 10 million

**Recent Results**

For the year ended FY2016, ACPPL achieved a net profit (provisional) of Rs. 3.5 crore on a total operating income of Rs.42.8 crore compared to the net loss of Rs. 0.2 crore on a total operating income of Rs.34.6 crore during the previous fiscal.

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