

October 23, 2017

Nova Carbons India Private Limited

Summary of rated instruments

Instrument [^]	Amount (Rs. crore ¹)	Rating Action
Short Term – Fund-based	7.00	[ICRA]A4+ ISSUER NOT COOPERATING*; Rating moved to the ‘Issuer Not Cooperating’ category

*Issuer did not cooperate; based on best available information.

[^]Instrument details captured under Annexure-1

Rating action

ICRA has moved the ratings for the Rs. 7.00-crore bank facilities of Nova Carbons India Private Limited (Nova Carbons) to the ‘Issuer Not Cooperating’ category. The rating is now denoted as “[ICRA]A4+ ISSUER NOT COOPERATING.”

Rationale

The rating is based on no updated information on the entity’s performance since the time it was last rated in April, 2016. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating as the rating does not adequately reflect the credit risk profile of the entity. The entity’s credit profile may have changed since the time it was last reviewed by ICRA. However, in the absence of requisite information, ICRA is unable to take a definitive rating action.

As part of its process and in accordance with its rating agreement with Nova Carbons, ICRA has been trying to seek information from the entity so as to monitor its performance. Despite repeated requests by ICRA, the entity’s management has remained non-cooperative. In the absence of requisite information, and in line with SEBI’s Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 1, 2016, ICRA’s Rating Committee has taken a rating view based on the best available information.

Key rating drivers

Credit strengths

- **Significant experience of the promoters and operational advantages arising from being a part of the larger Jacobi Group of Companies** – The promoters have long-standing experience and are a part of Jacobi Carbons AG (acquired by Osaka Gas Chemicals Co. Ltd. in 2014) which is one of the largest producers of coconut shell based activated carbon globally. Nova Carbons, a step-down subsidiary of Jacobi Carbons, receives significant operational and financial support from its group entities.

¹ 100 lakhs = 1 crore = 10 millions

Credit weaknesses

- **Seasonality in the availability of raw materials remains a concern; margins exposed to raw material price and forex fluctuations** - Production of 1.0MT of activated carbon requires ~3.0MT of coconut shell charcoal which is, in turn, obtained at a constant yield of 33.0% from coconut shells. Hence, the prices of coconut shell charcoal depend majorly on the availability of coconut shells and suitable weather condition for their conversion to charcoal. Since some of the primary end-user industries are price elastic, the ability of the activated carbon manufacturers to successfully pass on the raw material price increases is restricted. Further, the company's profit margins are exposed to fluctuations in the foreign exchange rates considering that the company derives its revenues completely through export sales.

Analytical approach

For arriving at the ratings, ICRA has applied its rating methodology as indicated below.

Links to applicable Criteria

[Corporate Credit Rating - Note on Methodology](#)

[Policy on non-cooperation by rated entity](#)

About the company

Incorporated in 2010, Nova Carbons India Private Limited is an Export Oriented Unit under Madras Export Promotion Zone and is engaged in the manufacture of coconut shell based steam activated carbon. The company's manufacturing facility is located in Tirunelveli (Tamil Nadu) and operates with a capacity of 1,250 metric tonnes (MT) per month. The company has added 550 MT to its capacity during FY2016 towards manufacture of new products.

The company's shares were held by a private equity firm Constellation Holdings GmbH (Constellation), which is a 100.0% subsidiary of Jacobi Carbons AG, and its managing director Mr. A Antony Thomas and his wife. Jacobi Carbons AG belongs to the Jacobi Group which is one of the largest manufacturers of coconut shell based activated carbon. During FY2014, Japan-based Osaka Gas Chemicals Company Limited acquired the Jacobi Group, subsequent to which the shares of Mr. A Antony Thomas and his wife were transferred to Osaka.

Key financial indicators

	FY2015	11M, FY2016
Operating income (Rs. crore)	95.7	92.8
PAT (Rs. crore)	3.8	5.6
OPBDIT/ OI (%)	7.9%	9.0%
RoCE (%)	19.0%	16.2%
Total Debt/ TNW (times)	1.1	0.9
Total Debt/ OPBDIT (times)	3.8	3.4
Interest coverage (times)	4.4	5.4
NWC/ OI (%)	11.2%	19.3%

OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; PAT: Profit after Tax; OI: Operating Income; TNW: Tangible Net Worth; NWC: Net Working Capital; Source: Financial statements and ICRA research;

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years:

Table:

S. No.	Instrument	Current Rating (FY2018)			Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. Crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				Oct , 2017	April, 2016	June, 2015	-
1	Packing Credit	Short Term	7.00	[ICRA]A4+ ISSUER NOT COOPERATING*	[ICRA]A4+	[ICRA]A4+	-

*Issuer did not co-operate; based on best available information

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1**Instrument details**

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue	Current Rating and Outlook
Packing Credit	-	-	-	7.00	[ICRA]A4+ ISSUER NOT COOPERATING *

*Issuer did not co-operate; based on best available information

Source: Nova Carbons India Private Limited



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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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