



Goodluck Carbon Private Limited

Instrument	Amount Rs. Crore	Rating Action
Long-term Fund Based Facilities – Cash Credit	30.00	[ICRA]B+; Reaffirmed
Long-term Fund Based Facilities Term Loan	72.74 (Enhanced from Rs. 15 crore)	[ICRA]B+; Reaffirmed
Short-term Non-Fund Based facility	4.00	[ICRA]A4; Reaffirmed

ICRA has reaffirmed its long-term rating at [ICRA]B+ (pronounced ICRA B plus) to the Rs 72.74 crore* (enhanced from 15.00 crore) term loan and the Rs 30.00 crore cash credit limits of Goodluck Carbon Private Limited (GCPL)[†]. ICRA has also reaffirmed its short term rating at [ICRA]A4 (pronounced ICRA A four) to the Rs. 4.00 crore non fund based limits of GCPL.

The ratings reaffirmation takes into account the scale-up of operations and healthy revenue growth witnessed in 2013-14 on account of modernization of the plant previously undertaken along with strengthening of dealer network. Additionally, further modernization activity undertaken in the current fiscal is expected to improve the scale and margins going forward due to expected reduction in overhead costs, increase in installed capacity and change in product mix.

The ratings continue to be constrained by high working capital intensity of operations due to cash based procurement of raw material and high receivables realization period of ~60-90days. This coupled with increase in scale of operation has resulted in stretched liquidity position. The sales realization might be impacted on account of decline in prices of crude oil derivatives; however, the impact on margins is limited by strong correlation between the crude oil prices and input raw material (carbon black feed stock - CBFS) along with relatively shorter inventory holding period. The capital structure of the company is expected to deteriorate in the near term due to recently completed debt funded modernization of the plant; however, the benefits of modernization of the plant and promoter support is expected to mitigate the impact to an extent. The ratings are also constrained by company's heavy dependence on tyre manufacturing and automotive industries; however the automotive industry has positive outlook in the near term and the vulnerability of the company's profitability to adverse movements in raw material prices as they are directly linked to international crude oil prices. However, the ratings draw comfort from the extensive experience of the promoters in the carbon black manufacturing and trading business. Going forward, the improvement in scale of operations and profitability along with management of working capital requirements would be the key rating sensitivities.

Company Profile

M/s Goodluck Carbon Pvt. Ltd. (GCPL) is engaged in the manufacturing of carbon black which is used as reinforcing agent in tyre and other industries. The company was initially engaged in trading of carbon black and diversified into carbon black production in February 2011 after it took on lease the production plant (located at Jitwal Kalan, Sangrur, Punjab) of Ralson India Limited (RIL). This plant was subsequently acquired in Mar/April 2012. At the time of acquisition, plant comprised 2 manufacturing units of total 25,000 metric tonnes per annum (MTPA) capacities. Subsequently the company successfully modernized and expanded the production capacity of one unit from 12,500 MT to 21,600 MT and other unit from 12,500 MT to 18,400 MT along with installation of captive power plant of 6 mega-watt (MW) capacity and steel scrap processing unit.

* 100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications



Recent Results

In 2013-14, GCPL reported operating income of Rs. 132.11 crore, with profit after tax of Rs. 1.65 crore as against operating income of Rs. 94.64 crore and profit after tax of Rs. 0.97 crore reported for 2012-13.

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