



RATING RATIONALE

17 Feb 2021

Aparna Carbons Pvt. Ltd.

Brickwork Ratings Reaffirms the ratings for the Long Term and Short Term Bank Loan Facilities of Aparna Carbons Pvt. Ltd. for an enhanced amount of Rs.25.00 Crs.

Particulars:

Facilities**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (October 2019)^	Present
Fund based	21.02	25.00	Long Term	BWR BBB+ (Stable) Upgraded	BWR BBB+ (Stable) Reaffirmed
Non Fund Based	(1.00)	(2.00)	Short Term	BWR A2 Upgraded	BWR A2 Reaffirmed
Total	21.02	25.00	Rupees Twenty Five Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank Loan facilities are provided in Annexure-I

^Rating migrated to Not Reviewed category on 19 October 2020.

RATING ACTION / OUTLOOK

Brickwork Ratings has **reaffirmed at BWR BBB+ /A2**, the ratings for the long term and short term bank loan facilities of Aparna Carbons Pvt. Ltd. while retaining the **Stable outlook**, for an **enhanced amount of Rs 25.00 crs**. The short term facility is a sublimit of the long term limits.

The reaffirmation of the ratings factors in the long track record of operations of the company and its experienced management, its moderate financial performance, and its reputed clientele. The rating however, is constrained by susceptibility of its profitability to volatility in raw material and finished goods prices, cyclicity in the end user industries, and competition in the industry.

The outlook has been retained at 'Stable', as BWR believes that the business risk profile of the company is stable and growth in business and profitability is expected to be maintained in the medium term.

KEY RATING DRIVERS

Credit Strengths:

- **Long track record of operations and experienced management:** The Directors of the company have business experience of more than two decades, and the company has its



presence in the industry since 2003. All the directors are involved in managing the day-to-day operations of the company. The extensive experience of the management has helped the company to establish long term relationships with customers and suppliers, thereby ensuring repeat orders.

- **Reputed Clientele:** The company's main product, coal tar pitch, has applications majorly in aluminium and graphite electrode industries. The aluminium industry is the largest coal tar consumer. The company caters to reputed companies like Graphite India Ltd. and HEG Limited, reducing offtake and payment risks.
- **Moderate Financial Performance:** The financial risk profile of the company is moderate as reflected by healthy capital structure with tangible net worth of Rs. 35.99 Crs and gearing of 0.51 times as on 31st March 2020. The debt protection metrics are at comfortable levels reflected by ISCR and DSCR of 3.35 times and 2.08 times respectively (PY: 2.37 times and 1.55 times respectively). Total Operating Income decreased to Rs. 131.29 Crs in FY20 as against total operating income of Rs. 164.87 Crs in FY19 (FY 18: Rs. 104.03 crs), mainly on account of softening of prices in the industry and its impact on the prices of finished goods. The management of the company has informed BWR of having achieved a total income of Rs. 84.47 crs and net profit of Rs. 4.15 crs for 9MFY21.

Credit Risks:

- **Profitability susceptible to volatility in prices:** Raw material cost constituted around 80-85% of total operating costs during the last three years ending FY20. The raw-material for Coal Tar Pitch, i.e. Coal Tar is primarily derived as a by-product from steel manufacturing industries. Given that the raw-material cost is the major cost driver and the prices of which are dependent on industries which exhibit volatility and cyclical nature, the profitability of the company is highly susceptible to volatility in raw-material prices. However, the risk is mitigated to an extent as the company prices its product on 'cost plus margin' formula.
- **Cyclical nature of end user industries:** The key user industry for Coal tar pitch is aluminium and graphite. Graphite electrodes are used in the production of steel through the Electric Arc Furnace (EAF) route and the iron and steel industry is also susceptible to inherent cyclical nature. A major portion of the revenue of the company is derived from the aluminium and graphite industries, as a result of which the company is expected to see significant dependence on these two cyclical industries for its revenues and operating margins.
- **Competitive Nature of the Industry:** Being present in an industry with presence of a number of large and established players, the company is exposed to competition, which may limit its pricing flexibility and bargaining power with customers.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has adopted a Standalone approach while arriving at its rating and applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Upward: The ratings may be revised upward if the company registers more than envisaged sales and profitability while maintaining its liquidity position.

Downward: The ratings may be downgraded in case of lower than envisaged operating performance, and deterioration of its financial risk profile.

LIQUIDITY INDICATORS: Adequate

The company has adequate liquidity as indicated by the utilisation of the cash credit limit at about only 43% in SBI and about 28% in IDBI for the last one year ended December 2020. Liquidity is further supported by a comfortable ISCR of 3.35 times in FY20 (FY19:2.37 times) and current ratio of 2.28 times (FY19:1.68 times). Total cash & bank balance as at March end 2020 was Rs.0.09 crs (FY19: Rs.2.93 crs). As per 9 month provisionals for FY 21, cash & cash equivalents stood at Rs. 5.32 crs. Net Cash Accruals of the company stood at Rs. 6.34 crs as on 31 March 2020 with no long term bank borrowings. The company has availed the moratorium as per Covid Relief Package announced by RBI.

COMPANY PROFILE

Aparna Carbons Private Limited was incorporated in 2003 with its registered office in Kolkata, West Bengal. The company has three directors namely Mr. Siddharth Sureka, Mr. Satya Narayan Sureka and Mr. Manoj Dhandharia. The Company is engaged in manufacturing of Liquid Coal Tar Pitch (LCTP) and its by-products such as Creosote Oil, Naphthalene, Anthracene Oil, Dehydrated Coal Tar and Impregnated Pitch, etc. The Company has its manufacturing unit located in Bhilai, Chhattisgarh with production capacity of 29950 MTPA.

KEY FINANCIAL INDICATORS

Key Financial Indicators	Units	FY 20	FY 19
Result Type		Audited	Audited
Operating Income	₹ Crs	131.29	164.87
EBITDA	₹ Crs	9.08	9.50
PAT	₹ Crs	4.75	3.48
Tangible Net Worth	₹ Crs	35.99	31.21
Total Debt/Tangible Net Worth	Times	0.51	0.95
Current Ratio	Times	2.28	1.68

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED:N.A.

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY :Nil

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]

S. No	Name of Instrument	Current Year Rating - 2021			Chronology of Rating History for the past 3 years along with outlook/watch, if applicable												
		Type	Amount Outstanding (₹ in Crs.)	Rating	Date(s) & rating(s) assigned in year 2020	Date(s) & rating(s) assigned in year 2019	Date(s) & rating(s) assigned in year 2018										
1.	Bank Loan Facility	Fund Based-Long Term	25.00	BWR BBB+ (Stable) Reaffirmed	-	18.10.2019^	27.07.2018@										
		Non Fund Based-Short Term	(2.00)	BWR A2 Reaffirmed		<table border="1"> <tr> <td>F</td> <td>21.02</td> <td>BWR BBB+ (Stable)</td> </tr> <tr> <td>N</td> <td>(1.00)</td> <td>BWR A2</td> </tr> </table> Long Term and Short term rating upgraded	F	21.02	BWR BBB+ (Stable)	N	(1.00)	BWR A2	<table border="1"> <tr> <td>F</td> <td>27.98</td> <td>BWR BBB (Stable)</td> </tr> <tr> <td>N</td> <td>(1.00)</td> <td>BWR A3</td> </tr> </table> Long Term and Short term rating reaffirmed	F	27.98	BWR BBB (Stable)	N
F	21.02	BWR BBB+ (Stable)															
N	(1.00)	BWR A2															
F	27.98	BWR BBB (Stable)															
N	(1.00)	BWR A3															
Total			25.00		Rupees Twenty Five Crores Only												

^Rating migrated to Not Reviewed category on 19 October 2020.

@Rating migrated to Not Reviewed category on 29 July 2019.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)

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Aparna Carbons Pvt. Ltd.

ANNEXURE I

Details of Bank Loan Facilities rated by BWR

Sl. No.	Type of Facilities	Long Term (Rs.Crs.)	Short Term (Rs.Crs.)	Total (Rs.Crs.)
1.	Cash Credit	25.00	-	25.00
2.	Bank Guarantee (sub limit of Cash Credit)	-	(2.00)	(2.00)
TOTAL		25.00	(2.00)	25.00
Total Rupees Twenty Five Crores only.				

For print and digital media

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