



## Rating Rationale

### Aparna Carbons Pvt Ltd

27 July 2018

**Brickwork Ratings reaffirms BWR BBB (Stable)/ A3 for the Bank Loan Facilities of ₹. 27.98 Crores of Aparna Carbons Pvt Ltd. (ACPL or 'The Company')**

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (July, 2017)	Present
<b><u>Fund based</u></b>					
Cash Credit-Existing	22.50	<b>20.50</b>	<b>Long Term</b>	BWR BBB Outlook: Stable	<b>BWR BBB (Pronounced as BWR Triple B) Outlook: Stable Reaffirmed</b>
Cash Credit-Proposed	-	<b>4.50</b>			
Term Loan	4.91	<b>2.98</b>			
<b><u>Non Fund Based</u></b>					
LC/BG*	(1.00)	<b>(1.00)</b>	<b>Short Term</b>	BWR A3	<b>BWR A3 (Pronounced BWR A Three) Reaffirmed</b>
<b>Total</b>	<b>27.41</b>	<b>27.98</b>	<b>INR Twenty Seven Crores Ninety Eight Lakhs Only</b>		

\*LC/ BG as a sublimit of CC

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

### Rating Reaffirmed

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY17, provisional financials upto FY18, publicly available information and information/clarifications provided by the management.

The rating continues to draw strength from the experienced promoters in the coal tar distillation industry, established relationship with reputed clients & suppliers, consistent optimal capacity utilization. However, the rating continues to be constrained by moderate scale of operations as well as net losses in the past 3 years, Leveraged capital structure, working capital intensive nature of operations & dependence on graphite industries and susceptibility of business to cyclicity in end user and supplier industries.

Going forward, the ability of the company to increase its scale of operations profitably, strengthen its credit profile and strengthen inventory position to improve the working capital cycle are the key rating sensitivities.

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### **Key Rating Drivers**

**Experienced Management:** The promoter's business experience of around 5 decades and their financial backing is expected to benefit the company.. ACPL has been in the coal tar distillation industry for more than a decade and has an established customer network. Some of its clients include HEG Ltd, Graphite India Ltd, Ski Carbon Black India Ltd, Philips Carbon Ltd. The clients are basically graphite electrode manufacturer.

**Consistent Optimal Capacity Utilization:** ACPL has its manufacturing units in Durg, Bhilai, Chhattisgarh with an installed capacity of 29950 MTPA. It has consistent optimal capacity utilization levels of 28849.62 MTPA (96.32%) in 2016-17 & 28541.02 MTPA (95.29%) in 2017-18 resulting in improved profitability margins.

**Moderate scale of operations:** Total Operating Income is moderate as reflected in the topline of Rs. 72.58 Crs in FY 17. In FY 16, there was a degrowth in sales, due to fall in crude oil prices. Since prices of coal tar is directly linked to prices of crude oil, there was fall in coal tar prices and hence the revenues decreased. However, the price of coal tar is increasing gradually which has led to marginal improvement in sales in FY 17. The company has also incurred net losses of Rs. (0.18) Crs in FY 15, Rs. (3.51) Crs in FY16 & Rs. (0.84) Crs in FY 17.

**Leveraged capital structure:** The capital structure of ACPL remains leveraged with overall gearing ratio of 1.70 times in FY17 as against 1.38 times in FY 16 on account of increase in debt levels. DSCR was 0.96 times & ISCR was 1.21 times as on 31st March 2017.

**Dependance on aluminium and graphite industries and susceptibility of business to cyclicity in end user and supplier industries:** Majority of the revenue is derived from coal tar pitch, which is mainly used in aluminium and graphite industry. As a result of this, the company is expected to see significant dependance on these two cyclical industries for its revenues and operating margins. Further, the company's main feedstock requirement is also sourced from the cyclical steel industry.

### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### **Rating Outlook: Stable**

BWR believes the **Aparna Carbons Pvt Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.



### About the Company

ACPL is a Kolkata based company, with its registered office in Naipukur, Kolkata. The company was incorporated in 2003. ACPL is engaged in manufacturing of Liquid Coal Tar Pitch (LCTP) and its by products such as Creosote Oils, Naphthalene, Anthracene Oils, De-hydrated coal tar & Impregranated Pitch. LCTP produced by distillation of coal tar generally finds uses in industrial and medicinal purposes. The current installed capacity is 29950 MTPA.

Mr. Manoj Dhandharia, Mr.Satya Narayan Sureka & Mr. Siddharth Sureka are the current Directors of the company.

### Financial Performance

ACPL reported Operating Revenue of Rs.72.58 Crs and Net Loss of Rs 0.84 Cr for FY17 as against Operating Revenue of Rs. 69.87 Crs.and Net Loss of Rs. 3.51 Cr for FY 16. On a provisional basis, the firm has achieved turnover of around Rs. 104.03 Crs for FY 18. Tangible Networth was Rs 26.77 Crs and Total debt was Rs 45.39 Crs as on March 31 2017. Current ratio was 1.34 times as on March 31 2017.

The key financial indicators are summarized in Annexure II

### Rating History for the last three years

Instrument /Facility	Current Rating ( July 2018)			Rating History		
	Type	Amount (₹ Crs)	Rating	17.07.2017	March 2016	Feb 2015
<b>Fund Based</b> Cash Credit-Existing Cash Credit-Proposed Term Loan	Long Term	20.50 4.50 2.98	<b>BWR BBB</b> <b>(Outlook: Stable)</b> <b>Reaffirmed</b>	BWR BBB (Outlook: Stable) Reaffirmed	BWR BBB (Outlook: Stable) Reaffirmed	BWR BBB (Outlook: Stable) Upgraded
<b>Non Fund Based</b> LC/BG*	Short Term	(1.00)	<b>BWR A3</b> <b>Reaffirmed</b>	BWR A3 Reaffirmed	BWR A3 Reaffirmed	BWR A3 Assigned
<b>Total</b>		<b>27.98</b>	<b>₹ Twenty Seven Crores Ninety Eight Lakhs Only</b>			

\*LC/ BG as a sublimit of CC

Status of non-cooperation with previous CRA (if applicable)- NA

Any other information- NA

**Annexure I**  
**Bank Facilities Details**

Facilities**	Type	SBI (Rs. in Crs)	IDBI (Rs. in Crs)	Total
Cash Credit-Existing Cash Credit-Proposed	Fund Based	8.00 4.50	12.50 -	<b>25.00</b>
Term Loan	Fund Based	2.98	-	<b>2.98</b>
(LC/BG) as a sublimit of CC	Non Fund Based	-	(1)	<b>(1)</b>
<b>Total</b>		<b>15.48</b>	<b>12.50</b>	<b>27.98</b>

\*\* Facilities are availed under Multiple Banking Arrangement

**Annexure II**  
**Key Financial Indicators**

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	Rs. in Crs	72.58	69.87
EBITDA	Rs. in Crs	6.15	3.93
PAT	Rs. in Crs	(0.84)	(3.51)
Tangible Net worth	Rs. in Crs	26.77	27.60
Total Debt/Tangible Net worth	Times	1.70	1.38
Current Ratio	Times	1.34	1.40

**Hyperlink/Reference to applicable Criteria**

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

For any other criteria obtain hyperlinks from website



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#### Note on complexity levels of the rated instrument:

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#### About Brickwork Ratings

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