

Rating Report

Brickwork Ratings re-affirms BWR BBB (Outlook: Stable)/ BWR A3 ratings for the enhanced bank loan facilities of Aparna Carbons Private Limited

Brickwork Ratings has re-affirmed the long term and short term **Ratings**¹ for the enhanced bank loan facilities of Aparna Carbons Private Limited ('ACPL' or the 'Company'), amounting to ₹30.32 Crs, availed under multiple banking arrangement from SBI and IDBI Banks as follows:

Facilities	Tenure	Previous Limits (₹Crs)	Amounts to be Rated (₹Crs)	Present Ratings ¹	Previous Rating (Feb, 2015)
<u>Fund Based</u>					
Cash Credit	Long Term	17.50	22.50	BWR BBB (Pronounced BWR Triple B) Outlook: Stable (Re-affirmed)	BWR BBB (Pronounced BWR Triple B) Outlook: Stable
Term Loan (O/s)		9.66	7.82*		
<u>Non-Fund Based</u>					
LC/BG**	Short Term	(1.00)	(1.00)	BWR A3 (Pronounced BWR A Three) (Re-affirmed)	BWR A3 (Pronounced BWR A Three)
Total			30.32	(INR Thirty Crores and Thirty Two Lakhs Only)	

Bank-wise break-up of the facilities: Please refer annexure I

** Outstanding Term Loan as on 10th March, 2016. ** Sub-limit of the ₹12.50 Crs Cash Credit facility from IDBI Bank.*

BWR has principally relied upon the audited financials of 'Aparna Carbons Private Limited' up-to FY15, projections up-to FY17 and publicly available information and information/clarifications provided by the management.

The ratings continue to draw strength from the promoters' experience in the Coal Tar Distillation Industry, established relationship with reputed clients and suppliers, ability of the Company to achieve more than 95% of their estimated sales for FY15 despite output prices dropping by ~20%- indicating improved capacity utilization, improvement in net-worth as well as leverage at quasi capital level and the Company being ISO 9001: 2008 certified- producing high quality impregnating grade coal tar pitch.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

The rating is however constrained by the net loss booked by the Company in FY15 pertaining to increased depreciation costs (due to implementation of Company's Act 2013) as well as substantial decline in prices over which the Company has little/limited scope- having cascading effect on the other financial parameters such as coverage indicators, ROCE, net cash accruals to total debt etc. The ratings have also factored in the elongated working capital cycle and high volatility in the raw material and finished goods prices.

Background

Incorporated in 2003, 'ACPL' is a Kolkata based Private Limited Company with its office in World Trade Centre, Ezra Street, Kolkata-01. Mr. Radheshyam Dhandharia, Mr. Manoj Dhandharia, Mr. Satya Narayan Sureka and Mr. Siddharth Sureka are the current promoter directors of the Company. In addition to the directors, a number of Kolkata based investment companies holds stake in the Company.

The Company is engaged in the manufacturing of Liquid Coal Tar Pitch (LCTP) and its by-products such as Creosote Oil, Napthalene, Anthracene Oil, De-hydrated Coal Tar, Impregnated Pitch etc. The manufacturing unit of the Company is in Durg, Bhilai, Chhattisgarh, with an installed capacity of ~50000 MT per annum. The clientele of 'ACPL' include reputed companies such as HEG Limited, SKI Carbon Black (India) Private Limited, Graphite India Limited etc. Key suppliers of the Company are SAIL, Uttam Galva Metallics Ltd., Rashtriya Ispat Nigam Limited etc.

Management Profile

Mr. Radheshyam Dhandharia, Mr. Manoj Dhandharia, Mr. Satya Narayan Sureka and Mr. Siddharth Sureka are the current promoter directors of the Company. All the promoter directors are well experienced in Coal Tar as well as other diversified industries.

Financial Performance

The Company's top-line for FY15 stood at ₹ 107.67 Crs (at gross level) compared to ₹ 118.88 Crs in FY14 in spite of increased capacity utilisation, as a result of decline in prices of the products. 'ACPL' booked Net Loss of ₹ (0.18) Crs as against PAT of ₹ 1.38 Crs in FY14, pertaining to increased depreciation and interest costs in FY15. EBITDA for FY15 stood at ₹ 9.33 Crs against ₹ 9.97 Crs in FY14. Considering the unsecured loans as quasi equity, the Company's Net-worth and leverage for FY15 were ₹ 32.53 Crs and 1.37x respectively. The coverage metrics (ISCR of ~1.71x and DSCR of ~1.26x) has shown decline in FY15, mainly on account of the reported loss. The working capital cycle remains elongated at ~187 days in FY15. As informed by the management, the Company has achieved estimated sales of ~₹ 100 Crs for 11MFY16 and is in line with the projections.

Note: The financial details are in the annexures II, III & IV.

Key Rating Determinants:

Experienced Management: *The promoter directors of the Company have extensive experience in Coal Tar and diversified industries. Mr. Radheshyam Dhandharia has more than five decades of experience in various industries. Mr. Manoj Dhandharia has more than 15 years of experience in Coal Tar Industry and takes care of finance and sales of the Company.*

Established Relationship with reputed clients and suppliers: *The key clients and suppliers include HEG Limited, SKI Carbon Black (India) Private Limited, Graphite India Limited, SAIL, Uttam Galva Metallics Ltd., Rashtriya Ispat Nigam Limited etc. The Company enjoys long standing relationship with them. 'ACPL' is an ISO 9001: 2008 Certified Company producing high quality impregnating grade coal tar pitch.*

Financial Profile: *The Top-line of the Company has declined in FY15 on account of reduced input and output prices over which the Company has little/limited scope.*

Challenges: *Though the Company has shown a marginal improvement in its operating margin, net-worth and leverage at quasi equity level; the other financial parameters such as coverage metrics, net cash accruals to total debt, ROCE, current ratio, working capital cycle etc., effected during FY15 remain key areas of improvements. Volatility in the raw material and finished goods prices is another area of concern for the Company; provided they are able pass on the fluctuations.*

Rating Outlook

The outlook is expected to be stable for the current year. Going forward, the Company's ability to achieve projected numbers, improve margins, scale of operations with optimal capacity utilization, working capital cycle- notably inventory period would remain the key rating sensitivities.

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Aparna Carbons Private Limited
Annexure I: Details of Bank Loan Facilities

Bank Facilities	Type of Facility	Tenure	SBI (in ₹ Crs)	IDBI (in ₹ Crs)	Total (in ₹ Crs)
Cash Credit	Fund Based	Long Term	10.00	12.50	22.50
Term Loan (O/s)***			7.82	-	7.82
LC/BG	Non-Fund Based	Short Term	-	(1.00)	
<i>Total</i>			17.82	12.50	30.32
Total Amount to be Rated					30.32

***Outstanding as on 10th March, 2016

Aparna Carbons Private Limited
Annexure II- Profit & Loss Account

Profit And Loss Account (All figures in ₹ Crores)			
As on	FY13	FY14	FY15
Result Type	Audited	Audited	Audited
Gross Sales	84.66	118.88	107.67
Excise Duty/Sales Tax	10.38	14.25	13.06
Net Sales	74.28	104.62	94.62
Other Operating Income	0.15	0.04	1.89
Total Operating Income	74.42	104.66	96.50
Operating Expenses	67.51	94.69	87.17
OPBDIT	6.91	9.97	9.33
Depreciation/Amortization/Impairment	1.76	3.23	3.99
OPBIT	5.15	6.75	5.34
Interest and Finance Charges	3.76	4.83	5.47
OPBT	1.39	1.92	(0.12)
Non Operating Income(Expenses)	0.02	(0.04)	0.22
PBT	1.41	1.87	0.09
Provision for Taxes	0.29	0.49	0.27
PAT	1.12	1.38	(0.18)

Aparna Carbons Private Limited

Annexure III- Balance Sheet

Balance Sheet (All figures in ₹ Crores)			
As on	FY13	FY14	FY15
Result Type	Audited	Audited	Audited
Liabilities			
Equity & Reserves	22.76	26.38	26.11
Share capital	3.11	5.06	5.06
Share Application money Pending Allotment	7.51	0.00	0.00
Reserves and Surplus	12.14	21.32	21.05
Non-current liabilities	10.85	18.16	14.14
Long-Term Borrowings	10.85	18.16	14.14
Current liabilities	30.57	32.70	40.10
Short-Term Borrowings	20.12	28.25	34.81
CPLTD	0.00	1.88	1.88
Trade Payables	6.86	1.33	2.25
Other Current Liabilities	3.33	0.79	0.90
Short-Term Provisions	0.27	0.45	0.26
Total Liabilities	64.18	77.24	80.36
Assets			
Non-current assets	25.89	24.58	25.66
Net Fixed assets	24.51	23.31	19.56
Capital Work-In-Progress	0.60	0.48	4.91
Long Term Loans and Advances	0.78	0.79	1.19
Current assets	38.29	52.66	54.70
Inventories	26.43	32.21	35.98
Trade Receivables > Six Months	1.35	1.04	2.14
Trade Receivables < Six Months	6.03	12.57	9.03
Cash and Cash Equivalent	0.29	0.39	1.74
Short-Term Loans and Advances	4.18	6.46	5.81
Total Assets	64.18	77.24	80.36

Aparna Carbons Private Limited
Annexure IV- Ratios

Key Ratios				
As on		FY13	FY14	FY15
Result Type		Audited	Audited	Audited
Operating Profit Margin	(%)	9.28	9.53	9.67
Net Profit Margin	(%)	1.51	1.32	-0.19
ROCE	(%)	10.18	10.51	7.05
Total Debt	<i>Rs. Crs</i>	30.97	48.29	50.83
Total Debt (Adjusted)	<i>Rs. Crs</i>	30.06	44.74	44.42
Tangible Net Worth	<i>Rs. Crs</i>	22.76	26.38	26.11
Tangible Net Worth (Adjusted)	<i>Rs. Crs</i>	23.67	29.93	32.53
Total Debt/TNW	<i>Times</i>	1.36	1.83	1.95
Total Debt/TNW (Adjusted)	<i>Times</i>	1.27	1.49	1.37
ISCR	<i>Times</i>	1.84	2.06	1.71
DSCR	<i>Times</i>	1.77	1.48	1.26
Net Cash Accruals/Total Debt	<i>Times</i>	0.09	0.10	0.07
Net Cash Accruals/Long Term Debt	<i>Times</i>	0.27	0.30	0.32
Current Ratio	<i>Times</i>	1.25	1.61	1.36
Days Receivables	<i>Days</i>	40	37	48
Days Inventory	<i>Days</i>	144	118	148
Days Payable	<i>Days</i>	52	17	9
Conversion Cycle	<i>Days</i>	132	137	187