



## Press Release

### Aparna Carbons Private Limited

**April 9, 2024**

#### **Ratings**

<b>Instrument/ Facilities</b>	<b>Amount (INR crore)</b>	<b>Ratings</b>	<b>Rating Action</b>	<b><a href="#">Complexity Indicator</a></b>
Long Term Bank Facilities	2.07	IVR BBB/ Stable (IVR Triple B with stable outlook)	Assigned	Simple
Long Term/ Short Term Bank Facilities	55.00	IVR BBB/ Stable/ IVR A3+ (IVR Triple B with Stable outlook/ IVR A Three plus)	Assigned	Simple
<b>Total</b>	<b>57.07 (INR Fifty-Seven Crore and Seven Lakh only)</b>			

**Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The ratings assigned to the bank facilities of Aparna Carbons Private Limited (ACPL) derives strength from extensive experience of its promoter in the coal tar pitch (CTP) business, established relationship of the company with reputed clients, stable business performance coupled with healthy financial risk profile marked by satisfactory capital structure and comfortable debt protection metrics. However, these rating strengths remain constrained by ACPL's exposure to its group entity, susceptibility of profitability to volatility in prices of raw material & finished goods and exposure to cyclical industries.

#### **Key Rating Sensitivities:**

##### **Upward factors**

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis.
- Improvement in the capital structure with improvement in overall gearing ratio to below 0.5x.
- Effective working capital management with improvement in operating cycle and liquidity.

##### **Downward Factors**

- Decline in operating income and/or profitability impacting the cash accrual and debt coverage indicators
- Moderation in the capital structure with deterioration in overall gearing to over 1x



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- Moderation in the liquidity position marked by further elongation in the operating cycle

### List of key rating driver with detailed description

#### Key rating strengths:

- **Extensive experience of the promoters**

The promoter of ACPL has experience of over three decades in the coal tar pitch (CTP) business. Such an extensive track record and experience of its promoter has helped the company in establishing a sound relationship with suppliers and customers. This should continue to benefit the company.

- **Reputed customer base**

ACPL supplies its manufactured coal tar pitch to reputed companies like HEG Limited, Graphite India Limited, PCBL Limited and Hindalco. Over the years, the company has established relationship with reputed corporates.

- **Stable business performance**

The total operating income of the company grew at a CAGR of ~52% during FY21-FY23 with a y-o-y growth of ~25% in FY23. The growth in topline is mainly driven by improvement in sales realisation on the back of favourable demand from end user industries i.e graphite and aluminium industry. Backed by improved top line, the absolute EBITDA has improved to Rs.21.23 crore in FY23 from Rs.16.16 crore in FY22. The profit margins of ACPL continues to remain range bound with marginal improvement in EBITDA margin to 7.55% in FY23 against 7.18% in FY22. The PAT margin remained in the range of 3.9%-4.3% over FY21-FY23. In 9MFY24, ACPL has already managed to clock revenue of Rs.222.31 crore.

- **Satisfactory capital structure and comfortable debt protection metrics**

The long-term debt equity ratio and overall gearing ratio stood comfortable at 0.03x and 0.67x respectively as on March 31,2023 as against 0.04x and 0.58x respectively as on March 31, 2022. Total indebtedness of the company marked by TOL/TNW stood comfortable at 0.84x as on March 31,2023. The debt protection parameters of ACPL remained comfortable with an interest coverage ratio of 6.57x in FY23 and Total Debt/GCA at 3.03x as on March 31,2023. The DSCR also remained comfortable at 5.43x in FY23 with no significant long term debt repayment obligations.



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### Key rating weaknesses

- **Exposure to cyclical industries**

ACPL's business risk profile is susceptible to inherent cyclicalities in end user industries. The company's major revenues are derived from graphite and aluminum industries. Hence, the revenue growth and operating margin of the company remains susceptible to fluctuations in demand from these industries. Further, the company's main raw material requirement is also sourced from the cyclical steel industry. The adequate supply of crude coal tar from steel manufacturers is dependent on the performance of the steel industry.

- **Susceptibility of profitability to volatility in prices of raw material and finished goods**

Raw materials are the single largest cost component for ACPL (constituting ~80-85% of total cost of production). The company does not have any backward integration for the major raw material, coal tar and any adverse movement in the raw material price without any corresponding movement in finished good price might affect the performance of the company.

- **Exposure to group company**

ACPL has extended corporate guarantee to the bank facilities of Jaya Speciality Chemicals P Ltd. (JSPL). Exposure to group company restricts the credit risk profile of the company to an extent. However, JSPL has recently started its operations and achieved a revenue of ~Rs.80 crore in FY24.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning Rating Outlook](#)

[Policy of Default Recognition](#)

[Criteria on complexity](#)

**Liquidity position: Adequate**

The liquidity position of the company is expected to remain comfortable marked by its expected adequate gross cash accruals against its low debt repayment obligations during FY24-FY26. The company has generated gross cash accrual of Rs.13.94 crore in FY23.



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Further, the average working capital utilisation of the company in the past 12 months ended in December 2023 remained at ~81% indicating moderate liquidity buffer.

### About the Company

Incorporated in 2003, Aparna Carbons Private Limited is a Bhilai, Chhattisgarh based company involved in manufacturing of coal chemicals and has developed several products like impregnation grade coal tar pitch, wash oil for benzol recovery at coke oven plants, anthracene oil for production of special grades of carbon black etc. It has a production capacity of 29950 MTPA. The company is managed by Mr. Manoj Dhandharia, his son Mr. Umang Dhandharia and his family members, Mr. Siddharth Sureka and Mr. Satya Narayan Sureka.

### Financials of Aparna Carbons Private Limited (Standalone):

(Rs. crore)

For the year ended*/ as on	31-03-2022	31-03-2023
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	225.02	281.26
EBITDA	16.16	21.23
PAT	8.92	12.04
Total Debt	29.82	42.25
Tangible Net Worth	51.38	63.44
EBITDA Margin (%)	7.18	7.55
PAT Margin (%)	3.96	4.28
Overall Gearing Ratio (x)	0.58	0.67
Interest Coverage Ratio	7.44	6.57

\*Classification as per Infomerics' Standard

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1	GECL*	Long Term	2.07	IVR BBB/ Stable	-	-	-
2	Cash credit^	Long Term/ Short Term	55.00	IVR BBB/ Stable/ IVR A3+	-	-	-

\* Outstanding as on Dec 31, 2023



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^ LC/BG of Rs. 5.00 crore is a sublimit

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate	Tenor/ Maturity	Size of Facility (INR Crore)	Rating Assigned/ Outlook
GECL	-	-	Dec 2026	2.07	IVR BBB/ Stable
Cash credit	-	-	-	55.00	IVR BBB/ Stable/ IVR A3+
<b>Total</b>				<b>57.07</b>	

**Annexure 2: List of companies considered for consolidated analysis:** Not Applicable

**Annexure 3: Facility wise lender details:**

<https://www.infomerics.com/admin/prfiles/len-Aparna-Carbons-apr24.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/ facilities:** Not Applicable

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).