

Press Release
APRA ENTERPRISES
March 20, 2024
Rating Reaffirmed



| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---|------------------|----------------------------------|-------------------------|
| Bank Loan Ratings | 18.00 | ACUITE BB+ Stable Reaffirmed | - |
| Bank Loan Ratings | 27.00 | - | ACUITE A4+ Reaffirmed |
| Total Outstanding Quantum (Rs. Cr) | 45.00 | - | - |

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs 45.00 Cr. bank facilities of Apra Enterprises (AE). The outlook is '**Stable**'.

Rationale for Rating

The reaffirmation in rating takes into account the established track record of operations of more than three decades along with experienced management which is also reflected from its growing revenue trend. The revenue of the company has increased by 72% in FY 2022 and stood at Rs 422.96 Cr. in FY 2022 as against Rs 246.09 Cr. in FY 2021. However, revenue has been moderated in FY 2023 which stood at Rs.351.13 Crore. Also, the company have achieved a revenue of Rs.398.54 Crore till January 2024 with stable margins as compared to previous years. Further, the rating factors in the moderate financial risk profile characterized by low gearing and moderate debt protection metrics. However, these strengths are partly offset by the working capital intensive nature of operations and vulnerability in the margins due to fluctuations in the raw material prices.

About Company

Established in 1985 as a proprietorship by Mr. Anil Bajarria, Apra Enterprises (AE) trades in numerous petrochemicals such as methanol, acetone, toluene, xylene, acetic acid, N Heptane, Styrene Monomer, alpha picoline, acetonitrile, among others. The Mumbai-based firm is managed by Mr. Anil Bajarria and his son, Mr. Viraj Bajarria. The firm caters majorly to industries such as pharmaceutical where the end use of these chemicals is for the production of active pharmaceutical ingredients, followed by paint, ink, wood and laminates, speciality chemical, among others.

About the Group

Mumbai based Apra Innovative Private Limited (AIPL) is incorporated in 2021. The Company is engaged into Trading of Chemicals. Has a sister concern with Apra Enterprises. Managed by Mr. Anil Bajarria and Mr. Viraj Bajarria.

Unsupported Rating

Not applicable.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has consolidated the financial and business risk profile of APRA ENTERPRISES and APRA Innovative Private Limited (AIPL). The consolidation is on account of common management, similar line of business, and operational linkages.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

AE has been engaged in trading of petrochemicals from 1985. Currently the firm is managed by Mr. Anil Bajaria and Mr. Viraj Bajaria who has an experience of about more than three decade in same field of business. The company caters to strong customer base and established track record that helps the firm to maintain a longstanding relationship with reputed clientele of more than 10 years with reputed client namely Glenmark Life Sciences, Asian Paints, Cipla, etc. Acuite believes that firm will continue to derive benefit from its established track record and longstanding relationship with reputed clientele.

Improvement in the operating performance

The company has recorded a revenue of Rs.351.13 Crore in FY23 against Rs.422.96 Crore in FY22 and Rs.246.09 Crore in FY21. In FY 2023, the operating performance is impacted due to drop down in crude oil prices which has resulted into reduction in prices realization of many commodities even though there was increase in the sales volume of the commodities. However, there is an improvement in the scale of operations which stood at Rs.398.54 Crore till Jan 2024 supported by stable margins and increase in volume sold. Wherein, the EBITDA Margins of the company stood at 2.51% in FY23 against 2.49% in FY22 and 2.69% in FY21. Acuite believes that firm ability to sustain and improve its margins is a key rating sensitivity.

Moderate Financial Risk Profile

The financial risk profile of the firm improved and remained moderate marked moderate networth, low gearing and moderate debt protection metrics. The net worth of the firm has increased to Rs.56.79 Crore as on 31st March 2023 against Rs.44.60 Crore in FY22 on an account of retention of profit in the business and treatment of unsecured loans as quasi equity. The total debt of the firm which constitutes of long term debt and short-term debt of Rs.26.73 Crore as on 31st March 2023 against Rs.13.18 Crore as on 31st March 2022. The long term debt consists the vehicle loans and home Loan. The unsecured loans from related parties treated as quasi capital as the same has been subordinated to the bank debt. The firm follows a conservative financial policy reflected through its peak gearing of 0.47 times as on 31st March 2023 against 0.30 times as on 31st March 2022. In addition, the Interest coverage ratio of the firm stood at 2.64 times as on 31st March 2023 against 2.96 times as on 31st March 2022. The debt service coverage ratio stood comfortable at 2.36 times as on 31st March 2023 against 2.80 times as on 31st March 2022. The TOL/TNW ratio stood at 2.90 times as on 31st March 2023 against 3.67 times as on 31st March 2022. Acuite believes that financial risk profile of the firm may continue to remain moderate in the medium term as firm is not planning to take additional long term debt in the near future.

Weaknesses

Working Capital Intensive Operations

The working capital operations of the firm is intensive marked by GCA days stood at 209 days as on 31st March 2023 against 166 days as on 31st March 2022. The debtor days and inventory days stood at 157 days and 33 days respectively as on 31st March 2023 against 139 days and 13 days respectively as on 31st March 2022. In addition, while making an import the average time taken to get the delivery is approximately 20-40 days. On an average basis, company extend credit period to its customers of 90 to 180 days. Typically, the petrochemical trading business import larger in quantity during last quarter which resulted into higher creditor days and along with this the group procures its supply on LC basis with sight of 90-120 days which have resulted in creditor days at 93 days in FY23 against 116 days in FY22. Acuite believes that working capital operations of the firm may continue to remain intensive considering the nature of industry and general credit period allowed to customers.

Fluctuation in raw material prices

The trading of petrochemical products can suffer greatly from the shifting price of crude oil. Since crude oil is the primary raw material used to make petrochemicals, any abrupt increase or decrease in its price can have a big impact the profitability of business. It can be difficult for petrochemical companies to maintain a stable and profitable trading environment as a result of geopolitical events, global supply and demand mismatches, and other factors

Rating Sensitivities

- Improvement in the scale of operations while maintaining profitability margins.
- Deterioration in the working capital cycle leading to stretch in liquidity

Liquidity Position Adequate

The liquidity profile of the company is adequate. The company has generated net cash accruals of Rs.5.03 Crore against the debt repayment of obligation of Rs. 0.10 Crores in the same period. Going forward, the company is expected generated net cash accruals of under the range of Rs.7.00 Crore against the debt repayment obligation of Rs.0.20 Crore in the same period. Further, the fund based average bank limit utilisation of fund based facilities stood at 88% in last 09 months ending December 2023. The current ratio of the company stood at 1.31 times in FY23 against 1.26 times in FY22. Further, the cash and balance of the entity stood at Rs.4.62 Crore in FY23 against Rs.1.11 Crore in FY22.

Outlook: Stable

Acuité believes that Group will maintain a 'Stable' outlook over the medium term on the back of its continuous increase in revenue and moderate financial risk profile. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in its revenue and profitability, while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the group registers lower than expected growth in revenues and profitability or in case of deterioration in the group's financial risk profile or significant elongation in the working capital cycle.

Other Factors affecting Rating

None.

Key Financials

| Particulars | Unit | FY 23 (Actual) | FY 22 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 351.13 | 422.96 |
| PAT | Rs. Cr. | 4.88 | 6.61 |
| PAT Margin | (%) | 1.39 | 1.56 |
| Total Debt/Tangible Net Worth | Times | 0.47 | 0.30 |
| PBDIT/Interest | Times | 2.64 | 2.96 |

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

Not applicable.

Any Other Information

None.

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|------------|-----------------|--------------------------------|
| 02 Aug 2023 | Cash Credit | Long Term | 18.00 | ACUITE BB+ Stable (Assigned) |
| | Letter of Credit | Short Term | 27.00 | ACUITE A4+ (Assigned) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|---------------------|----------------------|------------------|----------------------|----------------------|----------------------|------------------|-------------------|----------------------------------|
| Union Bank of India | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 18.00 | ACUITE BB+ Stable Reaffirmed |
| Union Bank of India | Not avl. / Not appl. | Letter of Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | Simple | 27.00 | ACUITE A4+ Reaffirmed |

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

APRA Innovative Private Limited.

Contacts

| Analytical | Rating Desk |
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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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