

## Press Release

### Aaditya Paptech Private Limited (APPL)

10 October, 2017



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 50.00 Cr
<b>Long Term Rating</b>	SMERA BB-/Outlook:Stable
<b>Short Term Rating</b>	SMERA A4

*\*Refer Annexure for details*

### Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.50.00 crore bank facilities of Aaditya Paptech Private Limited (APPL).

Aaditya Paptech Private Limited (APPL), a Gujarat-based company was incorporated in 2011 under the directorship of Mr. Praveen Patel, Mr. Radheshyam Pokar, Mr. Yogeshkumar Pokar and Mr. Bhautikumar Patel.

The company commenced operations in the manufacturing of duplex paper board in April, 2014 and has installed capacity of ~63000 MTPA.

### List of key rating drivers and their detailed description

#### Strengths

**Experienced management:** Mr Praveen Patel, Director has over 25 years of experience in the paper industry. He is the Technical Director and the key person in the company. The other Directors Mr. Radheshyam Pokar, Mr. Yogeshkumar Pokar and Bhautikumar Patel have experience of over a decade in the industry. SMERA believes that, while the track record of the company is limited, the extensive industry experience of the management will benefit the company immensely.

#### Weaknesses

**Moderate financial risk profile:** The company has moderate financial risk profile with networth of Rs.28.76 crore as on 31 March, 2017 as against Rs.26.18 crore in the previous year. The gearing stood high at 1.36 times as on 31 March, 2017 which improved during the period under study due to retention profits and repayment of loans. The total debt of Rs.39.04 crore includes term loans of Rs.16.25 crore and short term borrowings of Rs.16.75 crore. The interest coverage ratio stood at 2.29 times in FY2017.

**Working capital intensive operations:** APPL has working capital intensive operations with GCA at 126 days in FY2017 which is mainly on account of inventory of 79 days and debtors of 48 days. SMERA believes that the efficient working capital management will be crucial to the company in maintaining a stable credit profile.

**Highly fragmented and competitive industry:** The highly fragmented and intensely competitive Indian paper industry is marked by low entry barriers due to the low cost of setting up an industrial paper plant. This limits the pricing flexibility available to small players such as APPL. APPL plans to focus only on industrial duplex paper thus exposing itself to cyclicalities. SMERA believes that intense competition in the industrial paper segment and small scale of operations of the company will limit the pricing flexibility over the medium term.

**Analytical approach:** SMERA has considered the standalone financial and business risk profiles of the company to arrive at the ratings.

### **Applicable Criteria**

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios & Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

### **Outlook: Stable**

SMERA believes that APPL's outlook will remain stable owing to its promoter's extensive experience in the paper industry. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while maintaining its operating profitability. Conversely, the outlook may be revised to 'Negative' in case of weakening of operating margins or if financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirements.

### **About the Rated Entity**

For FY2016-17 (Provisional), APPL reported profit after tax (PAT) of Rs.2.03 crore on operating income of Rs.123.63 crore, compared to PAT of Rs.1.36 crore on operating income of Rs.108.22 crore in FY2015-16.

**Status of non-cooperation with previous CRA (if applicable):** CRISIL in the press release dated August 16, 2017 has classified the rating of Aaditya Paptech Private Limited as 'non cooperative' and has stated the following, "The investors, lenders and all other market participants should exercise due caution while using the rating assigned/reviewed with the suffix 'ISSUER NOT COOPERATING'. These ratings lack a forward looking component as it is arrived at without any management interaction and is based on best available or limited or dated information on the company."

**Any other information:** Not Applicable

**Rating History for the last three years:** Not Applicable

**\*Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term Loan	NA	NA	30/Mar/2020	19.00	SMERA BB-/Stable (Assigned)
Cash Credit	NA	NA	NA	17.00	SMERA BB-/Stable (Assigned)
Letter of Credit	NA	NA	NA	8.50	SMERA A4 (Assigned)
Bank Guarantee	NA	NA	NA	1.50	SMERA A4 (Assigned)
Proposed Cash Credit	NA	NA	NA	4.00	SMERA BB-/Stable (Assigned)

**Note on complexity levels of the rated instrument:** <https://www.smera.in/criteria-complexity-levels.htm>

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**ABOUT SMERA**

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