

Press Release

Aaditya Paptech Private Limited

October 08, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable (Upgraded and Assigned)
Short Term Rating	ACUITE A4+ (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded long term rating to '**ACUITE BB+ (read as ACUITE double B plus)**' and the short term rating to '**ACUITE A4+ (read as ACUITE A four plus)**' from '**ACUITE BB- (read as ACUITE double B minus)**' and the short term rating of '**ACUITE A4 (read as ACUITE A four)**' to the Rs.41.50 crore bank facilities and assigned a long term rating of '**ACUITE BB+ (read as ACUITE double B plus)**' and the short term rating of '**ACUITE A4+ (read as ACUITE A four plus)**' to the Rs.8.50 crore bank facilities of Aaditya Paptech Private Limited (APPL). The outlook is 'Stable'.

The upgrade reflects continuous improvement in revenues, profitability of the company leading to improvement in financial risk profile. Further, the rating is supported by Acuite's belief that APPL will further strengthen its business risk profile over the medium term, backed by improvement in revenues and operating margins while maintaining a stable financial risk profile. The company has started manufacturing of white craft liners which is expected to further improve the revenue of the company.

APPL, a Gujarat-based company was incorporated in 2011 by 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 ~150 tonnes per day. Further, in FY2018, the company has started manufacture of white craft liners.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Aaditya Paptech Private Limited to arrive at the rating.

Key Rating Drivers:

Strengths

• Experienced management

The promoters possess an experience of over a decade in the aforementioned line of business. APPL is expected to continue to leverage from its well established relationships with marquee clients and reputed suppliers over the medium term. Acuite believes that APPL will continue to benefit from its experienced management.

• Improvement in financial risk profile

APPL's financial risk profile has improved marked by improvement in tangible net worth, gearing, and debt protection metrics of the company. The financial risk profile of the company is healthy marked by tangible net worth of Rs.35.13 crore as on 31 March, 2018 as against Rs.29.15 crore as on 31 March, 2017. The gearing (debt-equity) stood at 0.95 times as on 31 March, 2018 as against 1.36 times as on 31 March, 2017. The total debt of Rs.33.29 crore as on 31 March, 2018 mainly comprises of term loan of Rs.16.20 crore, unsecured loan of Rs.1.01 crore and working capital borrowing of Rs.16.08 crore. Interest Coverage Ratio (ICR) has improved to 3.20 times in FY2018 from 2.36 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.86 times as on 31 March, 2018 as against 2.29 times as on 31 March, 2017. Going forward, Acuite expects the financial risk profile to improve in near to medium term in the absence of major debt funded capital expenditure plans and moderate net cash accruals.

• Improving revenue and profitability

The revenues of the company have improved to Rs.142.87 crore in FY2018 from Rs.123.80 crore in FY2017. The EBITDA margins of the company are stable to 10.24 percent in FY2018. The PAT margins have also increased to 3.47 percent FY2018 from 2.41 percent in FY2017. Acuite believes the revenues will increase in near to medium term leading to introduction of new product (white craft liners).

Weaknesses

• Moderate Working capital operations

APPL's working capital is moderate marked by Gross Current Assets (GCA) of 126 days in FY2018 compared to 129 days in FY2017. The debtor and inventory days stood at 44 and 75 respectively for FY2018. Further, the bank limit utilisation stood at ~90 percent at an average for last six months ending August 2018. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• Competitive and fragmented industry

APPL operates in a highly competitive and fragmented industry characterized by large number of unorganised players affecting margins.

Outlook: Stable

Acuite believes that APPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and steady flow of orders. The outlook may be revised to 'Positive' if the company generates substantial revenues and operating margins while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the working capital cycle elongates or if the financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	142.87	123.80	108.22
EBITDA	Rs. Cr.	14.64	13.14	11.27
PAT	Rs. Cr.	4.96	2.98	1.36
EBITDA Margin	(%)	10.24	10.62	10.42
PAT Margin	(%)	3.47	2.41	1.26
ROCE	(%)	15.92	14.20	11.61
Total Debt/Tangible Net Worth	Times	0.95	1.36	1.67
PBDIT/Interest	Times	3.20	2.36	1.86
Total Debt/PBDIT	Times	2.25	2.98	3.78
Gross Current Assets (Days)	Days	126	129	124

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-Oct-2017	Term Loan	Long Term	19.00	ACUITE BB- / Stable (Assigned)
	Cash Credit	Long Term	17.00	ACUITE BB- / Stable (Assigned)
	Letter of Credit	Short Term	8.50	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	1.50	ACUITE A4 (Assigned)
	Proposed Cash Credit	Long Term	4.00	ACUITE BB- / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE BB+ / Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE BB+ / Stable (Upgraded)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE A4+ (Upgraded and Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+ (Upgraded)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE BB+ / Stable (Upgraded and Assigned)

Contacts

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About Acuité Ratings & Research:

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