

## Press Release

### ARMOR KARTONS

December 13, 2017

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 8.00 Cr.
<b>Long Term Rating</b>	SMERA B+ / Outlook: Stable

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as SMERA B plus) on the Rs. 8.00 crore bank facilities of ARMOR KARTONS. The outlook is '**Stable**'.

Armor Kartons (AK), a Udupi-based proprietorship firm was established in 2016 by Mr. Sameer Mohammed. The firm is setting up a computerised manufacturing unit for corrugated paper boxes at Udupi, Karnataka with installed capacity of 11,544 metric tonnes per annum. Operations are expected to commence from January, 2018. The firm plans to procure raw material from paper manufacturing mills in Mysore, Shivamogga, Hosur and also from Tamil Nadu. AK's group firm, Abdulla & Company, a proprietorship firm, established in 1967 trades in waste paper. AK will be catering to the FMCG, garments, food and agro industries.

#### Key Rating Drivers

##### Strengths

- **Experienced management**

The proprietor, Mr. Sameer Mohammed has more than a decade of experience in the paper and paper products industry. The proprietor has extensive experience in the manufacturing of paper boards from recycled waste paper and trading of waste paper.

##### Weaknesses

- **Offtake and implementation risk**

AK plans to set up a unit to manufacture corrugated paper boxes in Udupi, Karnataka at a project cost of Rs. 8.10 crore to be funded through bank borrowing of Rs. 5.80 crore and promoter's contribution of Rs.2.30 crore. The expected installed capacity is 11,544 metric tonnes per annum. The project is expected to be completed by end of December, 2017 and commercial operations are to commence from January, 2018. The firm is exposed to off-take risk as operations are yet to commence. Further, any cost or time overruns can lead to delays in project implementation.

- **Highly competitive and fragmented industry**

AK operates in the highly fragmented corrugated box manufacturing industry with several medium and large players. The fragmented and competitive nature of the industry limits the bargaining power of the firm with customers and suppliers.

- **Proprietorship constitution of the firm**

Since AK is a proprietorship firm, it is susceptible to risk of capital withdrawal.

##### Analytical Approach

SMERA has considered the standalone business and financial risk profile of the firm to arrive at the rating.

##### Outlook: Stable

SMERA believes that the outlook on AK's rated facilities will remain stable over the medium term on account

of the extensive experience of the promoter in the paper industry. The outlook may be revised to 'Positive' in case of timely completion of the project without cost overruns and if the firm registers higher than expected growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of inordinate project delays.

#### About the Rated Entity - Key Financials

None

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

None

#### Any other information

None

#### Applicable Criteria

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

#### Note on complexity levels of the rated instrument

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

#### Rating History (Upto 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. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	5.80	SMERA B+ / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.70	SMERA B+ / Stable

#### Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>
Shashikala Hegde Senior Analyst - Rating Operations Tel: 022-67141321 <a href="mailto:shashikala.hegde@smera.in">shashikala.hegde@smera.in</a>	

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