

Press Release

Astron Paper And Board Mill Limited

June 27, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 113.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE BBB minus**) and short term rating of **ACUITE A3** (read as **ACUITE A three**) on the Rs. 113.00 crore bank facilities of Astron Paper And Board Mill Limited. The outlook is '**Stable**'.

The Gujarat based Astron Paper and Board Mill Limited was incorporated in December 2010 and started its commercial operations from December 2012. The company is promoted by Mr. Kirit Patel, Mr. Karshanbhai Patel, Mr. Ramakant Patel and Asian Granito India Limited. The company is engaged in manufacturing of manufacturing paper, known as kraft paper used in packaging industries. The company has 2 plants in Gujarat, Halvad and Bhuj. The product line of the company is from 12 BF to 35 BF and 80 GSM to 350 GSM. The company currently has an installed capacity of 101,500 MT per annum. The company imports its raw materials from different countries such as USA, Dubai, Switzerland among others. In addition the company also has 3MW thermal power plant at its manufacturing plant.

Key Rating Drivers

Strengths

• Experienced management

Astron Paper & Board Mill Limited (APBML) was incorporated in 2010 by Mr. Kirit Patel, Mr. Ramakant Patel and Mr. Karshanbhai Patel among others. The company is engaged in manufacturing of kraft paper using waste paper as its major raw material. APBML started its commercial operations in December 2012. The company is promoted by Mr. Kirit Patel, Mr. Ramakant Patel and others who possesses industry experience of over two decades. Before incorporation of APBML, Mr. Kirit Patel possesses industry experience via proprietorship concern namely, Mitul Enterprises which was engaged in paper packing from 1997 till 2015. Mr. Kirit Patel is currently looks after the entire operations including strategic initiatives of the company. Mr. Ramakant Patel also has industry experience of two decades in paper packaging industry and looks after the marketing strategies of the company. Acuite believes the company will benefit from its experienced management which helps the company maintain long standing relations with its customers and suppliers.

• Improvement in Revenue while maintaining its profitability

Having said that the company has started its commercial operations started in 2012, APBML's revenue has grown at a CAGR of ~14 per cent from FY2015 to FY2018. The company has achieved revenue of Rs.253.70 crore in FY2018 as against Rs.183.39 crore in the previous year. EBITDA margins stood healthy at 12.77 per cent for FY2018 as against 11.85 per cent for FY2017. Profit after Tax (PAT) margins stood healthy at 8.24 per cent for FY2018 (Prev: 5.49 per cent).

• Healthy Financial Risk profile

The financial risk profile of APBML is healthy marked by tangible net worth of Rs.126.05 crore as on 31 March 2018 as against Rs.45.15 crore as on 31 March, 2017. The improvement in the net worth is majorly on account of infusion of capital through IPO (Initial Public Offer) and profit retention. The company came out with IPO in December 2017 and raised Rs.60.00 crore through the same. Gearing (Debt-equity) stood at 0.59 times as on 31 March, 2018 as against 1.98 times in the previous year. The

total debt of Rs.74.86 crore as on 31 March 2018 majorly comprises of term loan of Rs.24.82 crore and working capital facility of Rs.50.04 crore. Interest coverage ratio (ICR) stood at 3.27 times for FY2018 as against 2.03 times for FY2017. DSCR stood at 1.90 times for FY2018 as against 1.26 times for FY2017. Total outside liabilities to tangible net worth (TOL/TNW) stood at 0.84 times as on 31 March 2018 as against 2.82 times as on 31 March 2017. Fixed Asset turnover stood at 2.56 times for FY2018 as against 2.08 times in the previous year.

Acuite believes the financial risk profile of the company will remain healthy backed by healthy net cash accruals and in absence of any major debt funded capital expenditure.

Weaknesses

• Moderate working capital nature of operation

APBML operates in a moderate working capital nature of operations marked by Gross Current asset (GCA) days of 173 for FY2018 (Prev: 172 days). This is majorly on account of inventory and debtor days of 54 and 85 respectively for FY2018. Further the average cash credit utilization for past six months ending May 2018 stood moderate at ~ 70 per cent. Going ahead, the ability of the company to efficiently manage its working capital requirements will remain key rating sensitivity.

• Highly fragmented and competitive industry

The recycling industry is highly fragmented with several organized and unorganized players thereby impacting the company's profitability.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the APBML to arrive at this rating.

Outlook: Stable

Acuite believes that APBML will maintain a 'Stable' outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of sustained and significant growth in operating income while improving its profitability margins, the outlook may be revised to 'Negative' in case of declined in profitability metric and/or deterioration in working capital management and financial risk profile of the company.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	253.29	183.39	157.23
EBITDA	Rs. Cr.	31.87	21.73	19.51
PAT	Rs. Cr.	20.90	10.07	5.97
EBITDA Margin	(%)	12.58	11.85	12.41
PAT Margin	(%)	8.25	5.49	3.80
ROCE	(%)	16.95	14.85	26.82
Total Debt/Tangible Net Worth	Times	0.59	1.98	2.45
PBDIT/Interest	Times	3.27	2.03	1.86
Total Debt/PBDIT	Times	2.31	3.88	4.35
Gross Current Assets (Days)	Days	154	172	185

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

ICRA, vide its press release dated May 01, 2018 had denoted the rating of Astron Paper & Board Limited as 'ICRA BB / rating watch under developing implications'; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at 'ICRA BB / rating watch with developing implications' vide its press release dated August 24, 2017.

Any other information

None

Applicable Criteria

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

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Note on complexity levels of the rated instrument

<https://www.acuite.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB- / Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.34	ACUITE BBB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.50	ACUITE BBB- / Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	21.12	ACUITE BBB- / Stable
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A3
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE A3
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3
Proposed Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE BBB- / Stable
Proposed Non - Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	15.54	ACUITE A3

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About Acuité Ratings & Research:

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