

Press Release

Astron Paper And Board Mill Limited

January 09, 2019

Rating Reaffirmed



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

Analytical Approach

Acuite has changed the rating approach of Astron Paper Board Limited from standalone financial and business risk profile to consolidated business and financial risk profiles of Astron Paper and Board Mill Limited (APBL) and Balaram Papers Private Limited (BPPL), hereinafter referred to as Astron Group (AG). Astron Paper Board Limited has taken over Balaram Paper Private Limited in July, 2018 and has been classified BPPL as 100 per cent subsidiary of Astron Paper Board Limited. The consolidation is mainly on account of similarity in the line of business strong operational synergies and common management.

The Gujarat based, Astron group (AG) was incorporated in December 2010 and started its commercial operations from December 2012. The group comprises of two companies mainly Astron Paper and Board Private Limited (APBL) and Balaram Papers Private Limited (BPPL). Astron Paper Board Private Limited has taken over Balaram Papers Private Limited in July, 2018 as a wholly owned subsidiary. The group is promoted by Mr. Kirit Patel, Mr. Karshanbhai Patel and Asian Granito India Limited. The group is engaged in manufacturing of manufacturing paper, known as kraft paper used in FMCG products.

The group currently has 3 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 installed capacity of the group is 175000 MT per annum. The company imports its raw materials from different countries such as USA, Dubai and Switzerland, among others. In addition, the company also has 2.2 MW thermal power plant at its manufacturing plant. In July 2018, APBL has taken over operations of BPPL in a brown field expansion project.

Key Rating Drivers

Strengths

- **Experienced management**

AG 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. APBL started its commercial operations in December 2012, while BPPL was taken over by APBL as a part of brown field expansion in July 2018. The promoters' possess industry experience of over two decades.

Before incorporation of APBL, Mr. Kirit Patel possessed industry experience via proprietorship concern, namely, Mitul Enterprises which was engaged in paper packing from 1997 till 2015. Mr. Kirit Patel 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 that 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 profitability**

The group has started its commercial operations in 2012 since then its revenue has grown at a CAGR of ~19 percent from FY2015 to FY2018. The company has achieved revenue of Rs.253.65 crore in FY2018 as against Rs.183.39 crore in the previous year. EBITDA margins stood healthy at 12.59 percent for FY2018 as against 11.85 percent for FY2017. Profit after Tax (PAT) margins stood healthy at 7.46 percent for FY2018 (PY:5.49 percent). Further, the group registered revenues of ~Rs.182.04 crore for half year ended September, 2018.

• **Healthy financial risk profile**

The financial risk profile of AG marked by healthy net worth and debt protection metrics of the group. The tangible net worth of the group stood at Rs.128.10 crore as on 31 March, 2018 as against Rs.48.71 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. APBL came out with IPO in December 2017 and raised Rs.60.00 crore through the same. Gearing (Debt-equity) stood at 0.69 times as on 31 March, 2018 as against 2.03 times in the previous year. The total debt of Rs.88.61 crore as on 31 March, 2018 majorly comprises term loan of Rs.33.50 crore, unsecured loans from directors and promoters Rs. 0.99 crore and working capital facility of Rs.54.12 crore.

The coverage indicators and the leverage ratios of the group are healthy marked by interest coverage ratio (ICR) at 2.94 times for FY2018 as against 2.03 times for FY2017. DSCR stood at 1.73 times for FY2018 as against 1.26 times for FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood at 0.97 times as on 31 March, 2018 as against 2.82 times as on 31 March, 2017. Acuite believes that 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. Fixed Asset turnover stood at 2.39 times for FY2018 as against 2.08 times in the previous year. Acuite expects the ratio to be in a range of 2.5 – 3.0 times in near to medium term.

Weaknesses

• **Moderate working capital nature of operations**

AG's operates in moderate working capital nature of operations marked by Gross Current Assets (GCA) days of 164 for FY2018 (PY: 177 days). This is majorly on account of inventory and debtor days of 59 and 82 respectively for FY2018. Further, the average cash credit limit utilisation for past six months ending November 2018 stood moderate at ~ 70 percent. 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 organised and unorganised players, thereby impacting the company's profitability.

Outlook: Stable

Acuite believes that AG 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	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	253.65	183.39	157.23
EBITDA	Rs. Cr.	31.93	21.73	19.51
PAT	Rs. Cr.	18.91	10.07	5.97
EBITDA Margin	(%)	12.59	11.85	12.41
PAT Margin	(%)	7.46	5.49	3.80
ROCE	(%)	15.41	14.11	14.01
Total Debt/Tangible Net Worth	Times	0.69	2.03	2.45
PBDIT/Interest	Times	2.94	2.03	1.86
Total Debt/PBDIT	Times	2.73	4.31	4.35

Gross Current Assets (Days)	Days	164	177	185
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Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

APBL has informed BSE, vide letter dated 31 December, 2018, regarding the arrest of Mr. Mukesh Patel, promoter of Asian Granito India Limited (AGIL). AGIL is 18.87 percent stake holder in APBL as on 30th September, 2018 and AGIL has been classified as corporate promoter of ABPL. However, as informed by the management of ABPL to Acuite vide email dated 31st December, 2018, there is no direct involvement of Mr. Mukesh Patel or AGIL in the operations of AG.

Applicable Criteria

- Default Recognition -<https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities -<https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation Of Companies -<https://www.acuite.in/view-rating-criteria-22.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
27-Jun-2018	Cash Credit	Long Term	12.00	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	4.34	ACUITE BBB- / Stable (Assigned)
	Cash Credit	Long Term	22.50	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	21.12	ACUITE BBB- / Stable (Assigned)
	Bill Discounting	Short Term	3.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	8.00	ACUITE A3 (Assigned)
	Letter of Credit/ Bank Guarantee	Short Term	14.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Assigned)
	Proposed Fund Based Facility	Long Term	10.50	ACUITE BBB- / Stable (Assigned)
	Proposed Non Fund Based Facility	Long Term	15.54	ACUITE A3 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.00 [^] (enhanced from Rs.12.00 crore)	ACUITE BBB- / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.34	ACUITE BBB- / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	28.00 (enhanced from Rs.22.50 crore)	ACUITE BBB- / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	19.35 (reduced from Rs.21.12 crore)	ACUITE BBB- / Stable (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	17.00 (enhanced from Rs.8.00 crore)	ACUITE A3 (Reaffirmed)
Letter of Credit/ Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	18.00 [#] (enhanced from Rs.14.00 crore)	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00 (enhanced from Rs.2.00 crore)	ACUITE A3 (Reaffirmed)
Proposed Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	1.77 (reduced from RS.10.50 crore)	ACUITE BBB- / Stable (Reaffirmed)
Proposed Non Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	1.54 (reduced from RS.15.54 crore)	ACUITE A3 (Reaffirmed)

[^]Rs.2.00 crore EPC/FBD sublimit to cash credit

[#]Rs.18.00 crore SBLC sub limit to LC/BG

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About Acuité Ratings & Research:

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