

Press Release

Astron Paper and Board Mill Limited

May 24, 2021

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.113.00 Cr.
Long Term Rating	ACUITE BB+/Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the 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**) on the Rs.113.00 crore bank facilities of Astron Paper and Board Mill Limited (APBML). The outlook is '**Stable**'.

About the rated entity

Gujarat-based, Astron Paper and Board Mill Limited (APBML) 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 3 plants in Gujarat, Halvad and Bhuj. The product line of the company is from 12 BF to 40 BF and 80 GSM to 350 GSM.

About the group Company

Gujarat-based Balaram Papers Private Limited (BPPL) was incorporated in 2015. In July 2018, APBL has taken over operations of BPPL in a brown field expansion project. The company is engaged in manufacturing of 'manufacturing paper', known as kraft paper used in packaging industries. The company has its plant located at Mehasana, Gujarat.

Analytical Approach

Acuite has considered the consolidated business and financial risk profile of APBML and BPPL, hereafter referred to as the Astron Group (AG). Astron Paper and Board Mill Limited has taken over Balaram Paper Private Limited in July, 2018 and BPPL has been classified as 100 per cent subsidiary of Astron Paper and Board Mill Limited. The consolidation is mainly on account of similarity in the line of business, strong operational and financial synergies and common management. Extent of consolidation: Full.

Key Rating Drivers

Strengths

• Experience 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 possesses industry experience via its proprietorship concern, namely, Mitul Enterprises that was engaged in paper packing from the year 1997 to 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 group will benefit from its experienced management, which helps the company to maintain long-standing relationship with its customers and suppliers.

- **Healthy financial risk profile**

The financial risk profile of the group stood healthy marked by healthy net worth, low gearing and moderate debt protection metrics. The tangible net worth improved and stood at Rs.166.76 crore as on March 31, 2020 as against Rs.149.86 crore as on March 31, 2019. The improvement in the net worth is majorly on account of accretion to reserve. The total debt of the group stood at Rs.78.37 crore includes Rs.18.99 crore of long term debt, Rs.5.65 crore of unsecured loans and Rs.53.73 crore of short term debt as on March 31, 2020. The gearing (debt-equity) stood low at 0.47 times as on March 31, 2020 as compared to 0.46 times as on March 31, 2019. Interest Coverage Ratio stood at 3.19 times for FY2020 as against 4.86 times for FY2019. Debt Service Coverage Ratio (DSCR) stood at 1.55 times in FY2020 as against 2.05 times in FY2019. Total outside Liabilities/Total Net Worth (TOL/TNW) stood high at 1.02 times as on March 31, 2020 as against 1.04 times on March 31, 2019. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.25 times for FY2020 as against 0.46 times for FY2019.

Acuite believes that the financial risk profile of the group is expected to remain at the same level over the medium term.

Weaknesses

- **Working capital intensive operations**

The operations of group are working capital intensive operations marked by Gross Current Asset (GCA) days of GCA days of 170 days in FY2020 as against 150 days in FY2019. High GCA days are due to high receivables period of 98 days in FY2020 as against 82 days in FY2019. Inventory days stood at 57 days in FY2020 as against 65 days in FY2019. The average bank limit utilization remained high at around 85-95 percent for the past trailing 6 months ended March 2021.

Acuite believes that efficient working capital management will be crucial to the group in order to maintain a healthy risk profile.

- **Decline in the profitability margins**

The operating margin has declined from 14.53 percent in FY2019 to 10.27 percent in FY2020. Similarly, the PAT margin has declined to 3.72 percent in FY2020 as against 6.76 percent in FY2019. Further, there is a significant decline in the profitability margins of the company with operating margin declined to 6.12 percent (Provisional) for FY2021 (9M) as against 9.74 percent for FY2020 (9M) and PAT margin declined to 1.19 percent (Provisional) for FY2021 (9M) as against 4.09 percent for FY2020 (9M). The group's ability to sustain revenues while improving the profitability will be a key rating sensitive.

- **Highly fragmented and competitive industry**

The recycling industry is highly fragmented with several organized and unorganized players, thereby impacting the company's profitability. Players in the industry have to comply with stringent effluent treatment norms of pollution control boards and complete discretion of the government, which led to high compliance risks. However, most of the pulp-based paper mills has adopted environment friendly technologies to minimize wastage and maximize recycling/reuse materials to produce eco-friendly paper. Also, the domestic industry faces immense competition of imports from ASEAN countries, which are of superior quality and of lower prices. Acuite believes that adherence to several environmental regulations and continuous investments are required to comply with the norms, which is likely to impact the profitability.

- **Raw material price fluctuations**

The key raw material for the company is waste paper procured domestically as well as imported from the USA, Middle-East and Taiwan among others. The prices of the waste paper are fluctuating and highly dependent on the supply of the paper. This can adversely impact the operations and profitability of the company.

Rating Sensitivities

- Improving scale of operations while improving profitability.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

The group has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.19.00-32.00 crore during the last three years through 2018-20, while its maturing debt obligations were Rs.4.00-10.00 crore over the same period. The group's working capital operation is intensive marked by gross current asset (GCA) of 170 days in FY2020 as against 150 days in FY2019. The group maintains an unencumbered cash and bank balances of Rs.5.08 crore as on March 31, 2020. The current ratio of the group stood at 1.18 times as on March 31, 2020. The average bank limit utilization stood high at around 85-95 percent for the last 6 months ended March 2021.

Outlook: Stable

Acuite believes that the group will continue to maintain a 'Stable' outlook over near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	355.68	383.20
PAT	Rs. Cr.	13.21	25.91
PAT Margin	(%)	3.71	6.76
Total Debt/Tangible Net Worth	Times	0.44	0.44
PBDIT/Interest	Times	3.19	4.86

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

Not Applicable

Any other information

None.

Applicable Criteria

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
20-Feb-2020	Cash Credit	Long Term	17.00*	ACUITE BB+ / Stable (Downgraded from ACUITE BBB-/Negative)
	Term Loan	Long Term	1.33	ACUITE BB+ / Stable (Downgraded from ACUITE BBB-/Negative)
	Cash Credit	Long Term	28.00	ACUITE BB+ / Stable (Downgraded from ACUITE BBB-/Negative)

	Term Loan	Long Term	10.99	ACUITE BB+ / Stable (Downgraded from ACUITE BBB-/Negative)
	Bill Discounting	Short Term	3.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Letter of Credit	Short Term	17.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Letter of Credit	Short Term	18.00#	ACUITE A4+ (Downgraded from ACUITE A3)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Proposed Fund Based Facility	Long Term	13.14	ACUITE BB+ / Stable (Downgraded from ACUITE BBB-/Negative)
	Proposed Non-Fund Based Facility	Short Term	1.54	ACUITE A4+ (Downgraded from ACUITE A3)
22-Nov-2019	Cash Credit	Long Term	17.00*	ACUITE BBB- /Negative (Reaffirmed)
	Term Loan	Long Term	1.33	ACUITE BBB- /Negative (Reaffirmed)
	Cash Credit	Long Term	28.00	ACUITE BBB- /Negative (Reaffirmed)
	Term Loan	Long Term	10.99	ACUITE BBB- /Negative (Reaffirmed)
	Bill Discounting	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	17.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	18.00#	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Proposed Fund Based Facility	Long Term	13.14	ACUITE BBB- /Negative (Reaffirmed)
	Proposed Non-Fund Based Facility	Short Term	1.54	ACUITE A3 (Reaffirmed)
01-Oct-2019	Cash Credit	Long Term	17.00	ACUITE BBB- / Stable (Reaffirmed)
	Term Loan	Long Term	1.33	ACUITE BBB- / Stable (Reaffirmed)
	Cash Credit	Long Term	28.00	ACUITE BBB- / Stable (Reaffirmed)
	Term Loan	Long Term	10.99	ACUITE BBB- / Stable (Reaffirmed)
	Bill Discounting	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	17.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	18.00#	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A3 (Reaffirmed)

	Proposed Fund Based Facility	Long Term	13.14	ACUITE BBB- / Stable (Reaffirmed)
	Proposed Non-Fund Based Facility	Short Term	1.54	ACUITE A3 (Reaffirmed)
09-Jan-2019	Cash Credit	Long Term	28.00	ACUITE BBB- / Stable (Reaffirmed)
	Term Loan	Long Term	19.35	ACUITE BBB- / Stable (Reaffirmed)
	Bills Discounting	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	17.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	4.34	ACUITE BBB- / Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	1.77	ACUITE BBB- / Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	17.00	ACUITE BBB- / Stable (Reaffirmed)
	Proposed Short Term Loan	Short Term	1.54	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	18.00	ACUITE A3 (Reaffirmed)
27-Jun-2018	Term Loan	Long Term	4.34	ACUITE BBB- / Stable (Assigned)
	Proposed Long Term Loan	Long Term	10.50	ACUITE BBB- / Stable (Assigned)
	Letter of Credit	Short Term	14.00	ACUITE A3 (Assigned)
	Term Loan	Long Term	21.12	ACUITE BBB- / Stable (Assigned)
	Bills Discounting	Short Term	3.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	8.00	ACUITE A3 (Assigned)
	Proposed Short Term Loan	Short Term	15.54	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	2.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	22.50	ACUITE BBB- / Stable (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BBB- / 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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.00*	ACUITE BB+/Stable (Reaffirmed)
Term Loan	Apr-2016	10.30	Apr-2023	1.33	ACUITE BB+/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE BB+/Stable (Reaffirmed)
Term Loan	Oct-2016	12.15	Oct-2023	10.99	ACUITE BB+/Stable (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ (Reaffirmed)

Letter of Credit	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE A4+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	18.00#	ACUITE A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ (Reaffirmed)
Proposed Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	13.14	ACUITE BB+/Stable (Reaffirmed)
Proposed Non-Fund Based Facility	Not Applicable	Not Applicable	Not Applicable	1.54	ACUITE A4+ (Reaffirmed)

*Sublimit - Rs. 2.00 crore EPC/FBD sublimit to cash credit
#Sublimit - Rs. 18.00 crore SBLC sublimit to LC/BG

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