

Press Release

Balaram Papers Private Limited

January 09, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has assigned 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. 15.00 crore bank facilities of Balaram Papers Private Limited (BPPL). The outlook is '**Stable**'.

Analytical Approach

Acuité 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. Extent of Consolidation : Full

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. Acuité 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. Acuité 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. Acuité 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

Acuité 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
-----------------------------	------	-----	-----	-----

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

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	4.00	ACUITE BBB- / Stable (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BBB- / Stable (Assigned)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.30	ACUITE BBB- / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.70	ACUITE A3 (Assigned)

Bill Discount Rs.2.00 crore sublimit to cash credit

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Salome Farren Analyst - Rating Operations Tel: 02249294025 salome.farren@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.