



Press Release

Astron Paper & Board Mill Limited

April 05, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	62.00	IVR BB+/ Stable (IVR double B plus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	65.00	IVR A4+ (IVR A four plus)	Assigned	Simple
Total	127.00 (INR hundred twenty seven crores only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Astron Paper & Board Mill Limited (APBL) considers the common management team and operational & financial linkages between APBL and its group entity, Balaram Papers Private Limited (BPPL). Infomerics has taken a consolidated view of these entities referred together as Astron Group.

The ratings assigned to the bank facilities of Astron Paper & Board Mill Limited (APBL) derives strength from experienced management, efficient working capital management and moderate financial risk profile. These strengths are partially offset by deteriorating business risk profile, susceptibility of operating margin due to volatile raw material prices and highly fragmented industry.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in scale of operations with improvement in profitability and cash accruals
- Improvement in the capital structure and debt protection metrics on a sustained basis
- Managing working capital requirement efficiently leading to improvement in the operating cycle with improvement in liquidity.

Downward Factors



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- Decline in the revenue and/ or profits leading to an overall deterioration in the financial risk profile of the group
- Moderation in the capital structure and/ or coverage indicators
- Elongation in the operating cycle with moderation in liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced management**

The key promoter directors of Astron Paper & Board Mill Limited, Mr. Kirit Patel and Mr. Ramakant Patel, have five decades of experience in the kraft paper industry. The experience of the management, their strong understanding of local market dynamics, and healthy relations with suppliers and customers will benefit the Astron group going forward, resulting in steady growth in the scale of operations.

- **Efficient working capital management**

The working capital management of the group is efficient, marked by the comfortable operating cycle of the group which stood at 58 days as on 31st March 2023 as compared to 47 days as on 31st March 2022. The operating cycle is predominantly driven by the moderate debtor and low inventory level during the same period. The debtor period stood at 76 days as on 31st March 2023 as compared to 65 days as on 31st March 2022. The inventory holding stood at 43 days as on 31st March 2023 as compared to 37 days as on 31st March 2022. The working capital management of the group will remain at similar levels over the medium term owing to the nature of the industry.

- **Moderate financial risk profile**

The group has a moderate capital structure. The tangible net worth (TNW) of the group decreased to Rs.159.06 Cr as on March 31, 2023, from Rs.183.54 Cr as on March 31, 2022 due to losses. Further, gearing of the group stood comfortable at 0.53x as on March 31, 2023, as against 0.42x as on March 31, 2022 and the Total outside Liabilities/Tangible Net Worth (TOL/TNW) also stood low at 0.96x as on March 31, 2023, as against 0.91x as on March 31, 2022. The financial risk profile of the group will remain at a similar level due to no major debt funded capex plans in the medium term.

Key Rating Weaknesses



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- **Deteriorating business risk profile**

The revenue of the group witnessed a y-o-y decrease of 23% to Rs.394.73 Cr in FY2023 from Rs.512.84 Cr in FY2022. Again, the group achieved a revenue of Rs.233.42 Cr in 9MFY2024, which is significantly lower compared to 9MFY2023 revenue of Rs.304.35 Cr. The decrease in revenue is primarily due to a decline in capacity utilization, which in turn occurred on account of lower market demand for finished goods i.e. Kraft Paper. Further, there is also decline in exports on the back of Russia-Ukraine war.

Moreover, the group procures ~80-85% of its total wastepaper through imports and the increase in the prices of wastepaper impacted the profitability margins of the group significantly. The group had reported operational loss of Rs.17.53 Cr and net loss of Rs.23.95 Cr in FY2023, as the group was unable to pass on increased wastepaper prices to its customers. Further, the group had reported operational profit of Rs.8.25 Cr and net loss of Rs.3.12 Cr in 9MFY2024.

- **Susceptibility of operating margin to volatile raw material prices**

The key raw material for kraft paper manufacturing is wastepaper. Availability and prices both are volatile in nature due to the presence of agro-climatic risk and policy changes in international markets.

- **Highly fragmented industry**

Indian paper board industry is highly fragmented with stiff competition from large number of organized as well as unorganized players. This limits the pricing power of the manufacturers in terms of flexibility to pass on the raw material price fluctuation to its customers. For decades China was the world's largest importer of wastepaper but in July 2017 it announced that it will ban imported waste papers to protect China from becoming world's dumping ground. It resulted in drastic effect on wastepaper prices and average prices of mixed wastepaper slumped on account of an oversupply of wastepaper in the global market and they have been declining till the outbreak of COVID 19 pandemic. Post which same started increasing and are on high level with increase in logistic cost due to non-availability of containers.

Analytical Approach: Consolidated

For arriving at the ratings, Infomerics has consolidated the financials of Astron Paper & Board Mill Limited (APBL) and Balaram Papers Private Limited (BPPL) together referred as Astron Group. The consolidation is on account of common management along with operational and



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financial linkages and cash flow fungibility among the companies. BPPL is a 100 per cent subsidiary of APBL. The list of companies is given in Annexure 2.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity – Stretched

The liquidity position of the group is stretched on account of the recent losses. The said losses are largely funded through recovery from trade receivables, which were stuck during COVID-19 pandemic. However, there is no such long-term debt repayment of the group over the same period. Again, the current ratio stood moderate at 1.03x as on March 31, 2023 and the Quick Ratio stood below average at 0.72x as on March 31, 2023. The cash and bank balances of the group stood at Rs.10.23 Cr as on March 31, 2023. Further, the average fund-based limit remains utilised at around 91 per cent over the twelve months ended January 2024. Going forward, the liquidity position of the group is expected to improve FY2025 onwards.

About the Group

Ahmedabad (Gujarat) based Astron Paper & Board Mill Limited (APBL) was initially incorporated as a private limited company in December, 2010. Further, in 2017 it changed its constitution from private limited to listed company through shifting on the main board of National Stock Exchange (NSE) and Bombay Stock Exchange (BSE). APBL is an ISO 9001:2015 and ISO 14001:2015 certified company operating from its two manufacturing plants located at Halvad, Gujarat and Bhuj, Gujarat with a total installed capacity of 1.80 lacs Metric Tons Per Annum (MTPA) of kraft paper. The company manufactures different varieties of kraft paper ranging from 80 to 350 Grams Per Square Meter (GSM) and Bursting Factor (BF) from 16 to 40. During July, 2018 APBL has acquired Balaram Papers Private Limited (BPPL) as a wholly owned subsidiary. The manufacturing facilities of BPPL is located at Mehsana, Gujarat with an installed capacity of 42000 MTPA.

About the Company



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Incorporated in 2010, Astron Paper & Board Mill Limited (APBL) manufactures different varieties of kraft paper ranging from 80 to 350 Grams Per Square Meter (GSM) and Bursting Factor (BF) from 16 to 40. The manufacturing plants are located at Halvad and Bhuj and the total installed capacity is 1.80 lacs Metric Tons Per Annum (MTPA).

Financials: Consolidated

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	512.84	394.73
EBITDA	27.77	-17.53
PAT	8.11	-23.95
Total Debt	76.46	84.44
Tangible Net worth	183.54	159.06
EBITDA Margin (%)	5.42	-4.44
PAT Margin (%)	1.58	-6.05
Overall Gearing Ratio on Net Adjusted Tangible Net Worth (x)	0.42	0.53

**Classification as per Infomerics' standards.*

Financials: Standalone

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	512.94	394.73
EBITDA	26.79	-14.90
PAT	8.68	-20.70
Total Debt	65.55	76.26
Tangible Net worth	181.50	160.76
EBITDA Margin (%)	5.22	-3.78
PAT Margin (%)	1.69	-5.22
Overall Gearing Ratio on Net Adjusted Tangible Net Worth (x)	0.36	0.47

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA:

CARE moved the rating of APBL into the Issuer Non-Cooperating category on account of inadequate information and lack of management cooperation in the rating procedure despite repeated follow ups as per the Press Release dated April 01, 2024.

Any other information: NA

Rating History for last three years:



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Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Cash Credit	Long Term	62.00	IVR BB+/ Stable	-	-	-
2.	Letter of Credit	Short Term	62.00	IVR A4+	-	-	-
3.	Bank Guarantee	Short Term	3.00	IVR A4+	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit I	-	-	-	18.00	IVR BB+/ Stable
Cash Credit II	-	-	-	10.00	IVR BB+/ Stable
Cash Credit III	-	-	-	17.00	IVR BB+/ Stable
Cash Credit IV	-	-	-	7.00	IVR BB+/ Stable
Cash Credit V	-	-	-	10.00	IVR BB+/ Stable
Letter of Credit I	-	-	-	11.00	IVR A4+
Letter of Credit II	-	-	-	16.00	IVR A4+
Letter of Credit III	-	-	-	17.00	IVR A4+
Letter of Credit IV	-	-	-	8.00	IVR A4+
Letter of Credit V	-	-	-	10.00	IVR A4+
Bank Guarantee	-	-	-	3.00	IVR A4+

Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Relationship	Shareholding as on March 31, 2024	Consolidation Approach
Astron Paper & Board Mill Limited	-	-	Full Consolidation
Balaram Papers Private Limited	Subsidiary	100%	Full Consolidation

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-AstronPaper-apr24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.