

Agarwal Duplex Board Mills Limited

December 03, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	11.51	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	2.99	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	14.50 (Rs. Fourteen Crore and Fifty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Agarwal Duplex Board Mills Limited (ADBML) to monitor the ratings vide e-mail communications/letters dated October 29, 2021, November 05, 2021, November 18, 2021 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Agarwal Duplex Board Mill Ltd.'s bank facilities will now be denoted as **CARE BB+; Stable/CARE A4+; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings assigned to the bank facilities of Agarwal Duplex Board Mills Limited (ADBML) continue to remain constrained on account of modest scale of operations, susceptibility of margins to volatility in prices of raw material and its presence in a highly competitive and fragmented industry. The ratings, however, continue to draw comfort from experienced promoters and long track record of operations of the group in the paper industry. The ratings also factor in the diversified dealer network and moderate financial risk profile marked by comfortable gearing and debt coverage indicators.

Detailed description of the key rating drivers

At the time of last rating on December 18, 2020 the following were the rating strengths and weaknesses (updated for the information available from Metropolitan Stock Exchange):

Key Rating Weaknesses

Highly competitive industry along with susceptibility of margins to volatility in prices of raw material: The paper board industry is highly fragmented in nature 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. The key raw material used by ADBML is waste paper which is purchased both from domestic and international market. Being a mid-sized player, operating margins of the company are directly impacted by the volatility in the prices of domestic waste paper and also exposes the company to foreign currency fluctuation risk for its import payments in absence of any formal hedging mechanism in place.

Modest Scale of operations: The total operating income of the company declined by 17% to Rs.127.32 crore in FY21 (refers to the period from April 01 to March 31) (PY: Rs.153.51 crore) due to subdued demand scenario during Q1FY21 (refers to the period from April 01 to June 30) on account of covid-19 led nation-wide lockdown. The PBILDT margin of the company improved marginally to 2.96% during FY21 (PY: 2.93%). However, the PAT margin of the company declined to 0.38% in FY21 (PY: 0.74%) due to moderation in scale of operations in FY21 which led to increase in interest cost as a percentage of total operating income. For H1FY22 (refers to the period from April 01 to September 30), the total operating income of ADBML grew by 83.41% to Rs.89.78 crore (PY: Rs.48.95 crore) due to lower sales reported during

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications
 *Issuer did not cooperate; Based on best available information

H1FY21 (refers to the period from April 01 to September 30) on account of covid-19 led nation-wide lockdown. Further, the PBILDT margin of the company declined to 2.21% during H1FY22 (PY: 3.98%) on account of rise in waste paper (key raw material) prices. Consequently, the PAT margin of the company declined to 0.41% in H1FY22 (PY: 0.67%).

Industry performance and outlook: Paper consumption in India is currently ~22.05 MT, whereby India accounts for 4% share of the global paper production. The size of the Indian paper industry is estimated at Rs.75,000 crores, contributing Rs.5000 crores to the exchequer. Demand for paper is growing primarily due to increased demand for packaged products, wherein the packaging grade paper currently forms 55% of the total requirement of the industry. ADBML prospects are linked to packaging segment which has witnessed better demand compared to other segments during the COVID19 induced lockdown period and thereafter in FY21. Packaging segment is expected to grow in FY22 backed by an increase in economic activities during the year and increased demand from end user industries like food, pharmaceuticals and FMCG industry. The paper & paper products industry is also likely to see further price increases during FY22 on account of returning demand and higher input prices.

Key Rating Strengths

Experienced promoters and long track record of operations: ADBML is a part of the Bindal group, engaged in the manufacturing of paper and paper products for more than two decades. The company is promoted by Mr Suresh Chand Agarwal, having an experience that spans over three decades in the paper industry. He takes care of the overall operations of the company along with other directors - Mr Neeraj Goel and Mr Abhishek Agarwal. ADBML is a part of the Bindal Group of companies which are into manufacturing and marketing various varieties of papers including Writing and Printing paper, Kraft paper, duplex boards, through various group companies under the umbrella.

Established marketing arrangement and dealer network: The Bindal group has an established marketing position and a long-term relationship with dealers spread across India. ADBML has a well-defined management structure with a dedicated marketing and selling department. The company sells its products through a network of more than 150 dealers and agents located in the different states of India. The company has a strong association and established tie-ups with the dealers. However, the company's derived majority of its revenue from North India, exposing the company to the risk of geographical concentration.

Comfortable financial risk profile: The overall gearing of the company remained comfortable at 0.44x as on March 31, 2021 (PY: 0.36x). The debt coverage indicators of the company also remained healthy as reflected by PBILDT interest coverage and Total debt/GCA of 3.23x (PY: 3.85x) and 5.77x (PY: 3.61x) in FY21 respectively.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non-financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Paper Industry](#)

About the Company

Agarwal Duplex Board Mills Limited (ADBML), incorporated in 1984, is engaged in the business of manufacturing of Coated Duplex Board and Poster Paper. The company has its manufacturing facilities located at Muzaffarnagar, Uttar Pradesh with installed capacity of 57,600 metric tonne per annum (MTPA) as on March 31, 2020. ADBML primarily uses waste paper as raw material for the manufacturing of its products.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY22 (Prov.)
Total operating income	153.52	127.32	89.78
PBILDT	4.49	3.77	1.98
PAT	1.14	0.48	0.37
Overall gearing (times)	0.36	0.44	0.34
Interest coverage (times)	3.86	3.23	3.81

A: Audited, Prov.: Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	11.51	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	2.50	CARE A4+; ISSUER NOT COOPERATING*
Fund-based - ST- Others		-	-	-	0.49	CARE A4+; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	11.51	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (18-Dec-20)	1)CARE BB+; Stable (31-Mar-20) 2)CARE BB+; Stable; ISSUER NOT COOPERATING* (04-Apr-19)	-
2	Non-fund-based - ST-BG/LC	ST	2.50	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A4+ (18-Dec-20)	1)CARE A4+ (31-Mar-20) 2)CARE A4+; ISSUER NOT COOPERATING* (04-Apr-19)	-
3	Fund-based - ST- Others	ST	0.49	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A4+ (18-Dec-20)	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Not applicable

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - ST-Others	
3	Non-fund-based - ST-BG/LC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Name: Mradul Mishra
 Contact no.: +91-22-6754 3573
 Email ID: mradul.mishra@careratings.com

Analyst Contact

Name: Sachin Mathur
 Contact no.: 011-45333206
 Email ID: sachin.mathur@careratings.com

Relationship Contact

Name: Swati Agrawal
 Contact no.: +91-11-4533 3200
 Email ID: swati.agrawal@careratings.com

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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