

Astron Paper & Board Mill Limited

April 01, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	1.88	CARE BB+; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	124.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	3.00	CARE A4+; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

Astron Paper & Board Mill Limited (APBL) has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on APBL's bank facilities will now be denoted as CARE BB+; Stable; ISSUER NOT COOPERATING*/ 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 APBL remain constrained on account of continuously waning profit margins, moderate debt coverage indicators and stretched liquidity during FY23 (Audited, refers to period April 01 to March 31) and 9MFY24 (Unaudited, refers to period from April 01 to December 31). The ratings also factor in its presence in highly fragmented and cyclical paper industry with stringent pollution control norms as well as susceptibility of profitability margins to volatility in prices of wastepaper and foreign exchange rates. The ratings, however, derive comfort from growing scale of operations, comfortable capital structure and vast experience of promoters in paper industry.

Analytical approach: Consolidated along with corporate guarantee extended by APBL.

CARE Ratings has adopted the consolidated approach due to operational and financial linkages between APBL and its wholly owned subsidiary- Balaram Papers Private Limited (BPPL). APBL has also extended corporate guarantee for the bank facilities of BPPL. Details of subsidiaries consolidated are shown in **Annexure-6**.

Outlook: Stable

Detailed description of the key rating drivers:

At the time of last rating on March 03, 2023, the following were the rating strengths and weaknesses (updated for the information available of FY23 (A) provided by the company).

Key weaknesses

Continuous waning of profit margins

The profitability position of APBL is continuously declining and in FY23 it incurred loss at operational level marked by operational loss of Rs. 17.51 crore in FY23 as against operating profit of Rs. 19.97 crore in FY22 (Rs.32.90 crore in FY21). The decline was led by sharp increase in the prices of imported wastepaper on the back of Russia-Ukraine war which had increased by whopping 54% on y-o-y basis, however, considering the competitive market scenario, APBL was not able to pass on the increase in the raw material prices to its customers which led to losses during FY23. Consequently, APBL incurred net loss of Rs.23.95 crore in FY23 as against net profit of Rs.8.25 crore in FY22. The said losses are largely funded through recovery from trade receivables which were stuck during COVID-19 pandemic. Further, during 9MFY24, APBL had reported operational profit of Rs.8.25 crore as against operational loss of Rs.15.64 on y-o-y basis with recovery in prices of waste papers.

Moderate debt coverage indicators

With losses at operating level during FY23, the debt coverage indicators marked by marked by total debt to GCA (TDGCA) and interest coverage deteriorated. However, in 9MFY24, with recovery in profitability, interest coverage ratio improved and remained moderate at 1.06x.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Presence in highly fragmented and cyclical 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.

Stringent pollution control norms

Paper industry is one of the most polluting industries, as identified and categorised by Central Pollution control Board (CPCB) as it is one of the largest users of fresh water. With water used in nearly every step of the manufacturing processes, the paper industry produces large volume of wastewater and residual sludge waste, presenting number of issues in relation to wastewater treatment, discharge and sludge disposal. However, APBL is following Zero Liquid Discharge (ZLD) mechanism having adequate Effluent treatment Plant (ETP) in place with 7200 Kilo litres per day (KLPD) capacity of treated water which is recycled and reused in the production process.

Susceptibility of profitability margins to volatility in prices of wastepaper and foreign exchange rate

Raw Material costs is the key cost contributor for APBL followed by power and fuel and employee costs. Wastepaper constitutes around 70% of the total cost of goods sold for APBL. Prices of wastepaper are affected by two prime factors: prices in international market and the monsoon season. In January 2018, China banned importing 24 types of waste materials; wastepaper was one of them. Post imposition of ban on importing wastepaper by China, the international prices of wastepaper declined on the back of excess supply in the other markets. However, with COVID 19 pandemic emerging in the later part of FY20 and subsequent lockdown imposed by various nations of the world, there was mismatch between the demand and supply of wastepaper in the international market which led to an increase in the price of wastepaper. Further, APBL procures ~80-85% of its total wastepaper through imports vis-à-vis nominal exports proportion which lead to exposure to volatile foreign exchange rates to the extent of unhedged foreign currency exposure.

Key strengths**Growing scale of operations**

The scale of operations of APBL are growing since past three years marked by Compounded Annual Growth Rate (CAGR) of 18.54% ended FY22. However, during FY23, the scale of operations as marked by TOI moderated ~22% on y-o-y basis to Rs.394.73 crore in FY23 from Rs.504.71 crore in FY22 mainly owing to decline in export sales in FY23. Further, during 9MFY24, TOI remained moderate at Rs.233.43 crore on a consolidated level.

Comfortable capital structure

The capital structure of APBL remained comfortable as marked by an overall gearing of 0.53x as on March 31, 2023 as against 0.42x as on March 31, 2022 due to robust net worth base. The networth stood at Rs.159.06 crore as on March 31, 2023. Considering corporate guarantee extended to BPPL, adjusted overall gearing remained comfortable at 0.62x as on March 31, 2023 as against 0.50x as on March 31, 2022. The capital structure is expected to remain comfortable in near term.

Experienced promoters

APBL is promoted by Mr. Kirit Patel, Mr. Ramakant Patel and Mr. Karsan Patel. Mr. Kirit Patel is Chairman and Managing Director since incorporation having experience in paper industry over two decades through his association with APBL and other firms. He looks after corporate finance and strategic planning for the long-term growth of the company and has established a wide distribution network related to company's product. Mr. Ramakant Patel, Executive Director having over two decades of experience in packaging and paper industry and currently looks after the marketing strategies of APBL. Mr. Karshanbhai Patel is Executive Director of APBL holds experience of around eight years in paper industry.

Liquidity: Stretched

Liquidity continues to remain stretched, marked by low cash and bank balance, negative gross cash accruals and below unity liquidity ratios. Cash and bank balance stood at Rs.0.26 crore as on March 31, 2023. Further, with net losses, gross cash accruals also remained at -Rs.27.73 crore in FY23. Liquidity ratio moderated in FY23 marked by current ratio of 0.97x and quick ratio of 0.65x as on March 31, 2023, as against 1.28x and 0.94x respectively as on March 31, 2022. Further, operating cycle moderated

to 49 days in FY23 from 40 days in FY22. However, cashflow from operations stood at Rs.12.84 crore in FY23 with higher collection and recovery of insurance claims.

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Consolidation](#)

[Rating Outlook and Rating Watch](#)

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

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[Short Term Instruments](#)

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Commodities	Forest Materials	Paper, Forest & Jute Products	Paper & Paper Products

Ahmedabad (Gujarat) based Astron Paper & Board Mill Limited (APBL; CIN: L21090GJ2010PLC063428) 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 as on December 31, 2023. 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 as on December 31, 2023.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	504.71	397.73	233.43
PBILDT	19.97	-17.51	8.25
PAT	8.25	-23.95	-3.12
Overall gearing (times)	0.42	0.53	NA
Adjusted overall gearing (times)*	0.50	0.62	NA
Interest coverage (times)	2.07	NM	1.06

A: Audited; UA: Unaudited; NA: Not available; NM: Not meaningful; *Adjusted including guaranteed debt of BPPL in total debt; Note: 'the above results are latest financial results available'

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: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	December 2025	1.88	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT/ ST-Cash Credit	-	-	-	-	78.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Letter of credit	-	-	-	-	46.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee	-	-	-	-	3.00	CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT/ ST-Cash Credit	LT/ST	78.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+ (03-Mar-23)	-	-
2	Non-fund-based - LT/ ST-Letter of credit	LT/ST	46.00	CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+ (03-Mar-23)	-	-
3	Non-fund-based - ST-Bank Guarantee	ST	3.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A4+ (03-Mar-23)	-	-
4	Fund-based - LT-Term Loan	LT	1.88	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (03-Mar-23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple
3	Non-fund-based - LT/ ST-Letter of credit	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Balaram Papers Private Limited	Full	100% subsidiary

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

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About us:

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