Draft Rating Rationale

Aristocraft Papers Pvt Ltd

31 March 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 9.41 Crores of Aristocraft Papers Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based		**Long Term**	**BWR B+ (Pronounced BWR Single B Plus) Outlook: Stable**
Cash Credit	**3.50**		
Term Loan	**0.81^**		
Proposed Cash Credit	**4.00**		
Proposed Term Loan	**1.10**		
Non Fund Based		**Short Term**	**BWR A4 (Pronounced A Four)**
Proposed ILC	**(1.00)**		
Total	**9.41**	**INR Nine Crores and Forty One Lakhs Only**	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

^Note: Company has informed of having repaid the balance of term loan of Rs. 0.81 Cr completely on 28.03.2018

Rating : Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results upto FY17, projected financials upto FY19 and financial data upto Feb 2018 as submitted by the company, publicly available information and information/clarifications as shared by the Company’s management.

The rating is constrained by the negative profit margins, reduced revenue, low net worth and price volatility of raw materials. However, the rating is supported by promoters business experience, company’s business expansion plan, visible revenue growth and profits reported up upto Feb 2018.

Description of Key Rating Drivers

- **Credit Strengths:**

- Promoters have 4 decades of business experience, manufacturing capacity is expected to increase from existing 15,000 MTPA to 45,000 MTPA, revenue is reported at ₹ 17.62 Cr as on 28 February 2018, profit upto Feb 2018 is reported at ₹ 0.12 Cr.

- **Credit Risks:**

- Net profit margin is negative at 8.73% as at Mar 2017, operating profit margin is negative at 0.43% as at Mar 2017, revenue is reduced from ₹ 17.23 Cr in FY16 to ₹ 10.65 Cr in FY17, Net worth is ₹3.59 Cr as at 31.3.2017.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes the **Aristocraft Papers Pvt Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Aristocraft Paper Pvt. Ltd., incorporated in 2008, is engaged in the manufacturing of kraft paper which finds applications in the packaging industry, especially for making corrugated boxes. The company has its manufacturing facility located at Muzaffarnagar, Uttar Pradesh with a production capacity of 15,000 MTPA. It commenced its production of Kraft Paper in 2013 and is currently operating at about 60% of installed capacity.

As reported, Company is in the process of increasing its manufacturing capacity from 15,000 MTPA to 45,000 MTPA and will commence the production with increased capacity from April 2018. The total cost of capacity expansion estimated at ₹ 1.50 Cr is to be funded through promoter's contribution of ₹ 0.40 Cr and term loan from Bank of ₹ 1.10 Cr.

The directors of the Company are Mr. Rajesh Kumar Jain and Mr. Rajendra Kumar Jain. Both the directors have around four decades of business experience in steel industry and paper manufacturing industry.

Company Financial Performance

As per audited financials FY17, net sales of the Company has declined from ₹ 17.23 Cr in FY16 to ₹ 10.65 Cr in FY17. Company has incurred operating loss of ₹ 0.05 Cr and net loss of ₹ 0.93 Cr in FY17. In 11MFY18, it has reported of achieving a profit of ₹ 0.12 Cr on revenue of ₹ 17.62 Cr.

Tangible net worth of the Company reduced from ₹ 3.99 Cr in FY16 to ₹ 3.60 Cr in FY17. Net cash accruals to total debt stands negative in FY17. The ability of the Company to improve on the profits along with efficiently management of its working capital by reducing the receivables will be the key rating sensitivities.

Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
1.	**Fund Based**	Long Term	9.41	BWR B+ (Outlook: Stable)	**Not Rated**	**Not Rated**	**Not Rated**
2.	**Non Fund Based**	Short Term	(1.00)	BWR A4	**Not Rated**	**Not Rated**	**Not Rated**
	Total		**9.41**	**₹ Nine Crore and Forty One Lakhs Only**			

Status of non-cooperation with previous CRA: Crisil has done non cooperation on 21.6.2017 and downgraded

Any other information - : none

Key Financial Indicators

Key Parameters	**Units**	**FY17**	**FY16**
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	10.65	17.23
EBITDA	₹ Cr	-0.05	1.61
PAT	₹ Cr	-0.93	0.09
Tangible Net worth	₹ Cr	3.60	3.99
Total Debt/Tangible Net worth	Times	1.92	1.90
Current Ratio	Times	0.78	0.49

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Manufacturing Companies
- Short Term Debt

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About Brickwork Ratings
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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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