



RATING RATIONALE

7 Sept 2020

Anand Triplex Board Limited

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 38 Crores of Anand Triplex Board Limited ('ATBL' or 'the company')

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (June, 2019)	Present
Fund based	30.00	32.00	Long Term	BWR BBB (Stable) Upgrade	BWR BBB (Negative) Reaffirm; Revision in outlook to Negative
Non fund based	8.00	6.00	Short Term	BWR A3+ Upgrade	BWR A3+ Reaffirm
Total	38.00	38.00	INR Thirty Eight Crores Only		

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

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

BWR has reaffirmed the ratings of **Anand Triplex Board Limited** at BWR BBB (Outlook: Negative)/ A3+. The reaffirmation of ratings reflects the vast experience of the promoters in manufacturing of waste paper based newsprint, writing and printing paper. ATBL has a prestigious client base from the newspaper industry. The rating is strengthened by a strong networth position and very low gearing level as contributed by a very low level of debt. The rating further takes support from an above average debt protection indicator i.e. ISCR & DSCR. ATBL also derives cost and revenue benefits from its 10 megawatt captive power plant.

The rating is however constrained by the decline in the company's revenue in the preceding year due to a fall in paper prices in the year 2020 and a lower demand. The rating has also factored the customer concentration risk the company faces and a highly competitive paper industry in India. The rating is affected by highly volatile raw material prices and adverse impact of the Covid-19 pandemic on the paper industry.

The revision in outlook to negative factors the decline in the company's topline in FY20, a subdued performance in the current fiscal till date and an adversely affected paper industry due to the coronavirus pandemic which may affect the company's performance in the short to medium term.

KEY RATING DRIVERS

Credit Strengths:

- **Experience of the Promoters, diversified customer base:** ATBL is promoted by Mr. Naman Vats and Mr. Daman Vats, who have been involved in the manufacturing of newsprint paper business for more than three decades. The Company has a strong past-track record of operations with major players in the North Indian market viz. Hindustan Times, Amar Ujala, Dainik Jagran, Dainik Bhaskar, and Rajasthan Patrika. among others. The established relationships with the customers has enabled the company to receive repetitive orders.
- **Comfortable financial risk profile:** The company has a strong tangible networth of Rs.111.13 Crores as on 31 March 2020. The company had a total debt of just Rs.22.62 Crores as on FY20 end due to which its gearing was quite low at 0.20 times. Overall gearing of the company, TOL/TNW, continues to remain low at 0.42x in FY20. Coverage indicators are also healthy as reflected in ISCR & DSCR of FY20 at 8.02 times & 7.69 times respectively.

Credit risks:

- **High customer concentration risk:** Top 5 customers comprise ~95% of the total sales of the company. It is a high customer concentration risk, since movement of one customer can adversely affect the operating income of the company to a large extent.
- **Increase in competition:** : Presence of high level of competition in the vicinity which can be mitigated only by economies of scale or lower prices of product offerings which might squeeze the profit margins.
- **Susceptible to volatility in raw material prices due to global cues:** Indian paper recycling industry is largely dependent on imported waste paper from various countries. The price of waste paper mainly determines the price of finished paper. In 2019 alone, there was a 30% downward trend in imported waste paper prices, and Indian Kraft paper mills had to reduce prices of finished paper by around 30% even after having export orders in hand. This implies that the paper mills had an excess supply even after fulfilling domestic demand.
- **Covid-19 impact on the paper industry:** Paper is one of those industries which has been adversely affected by the current Covid-19 pandemic as the demand for paper has slipped substantially.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

Positive: Ability of the company to regain the earlier topline level along with profit margins and mitigate the risks posed by the current situation caused by the pandemic.

Negative: Any further fall (say > 20%) in its topline and deterioration in profit margins along with any debt related delays and irregularities.

LIQUIDITY POSITION : Adequate

The company has provisionally generated net cash accruals of Rs.9.49 Crores for FY20 which is around 35% less than FY19 figure owing to lesser sales this fiscal. The debt coverage indicators are strong as ISCR & DSCR stand at 8.02 times & 7.69 times respectively for FY20. Current ratio for FY20 was 2.38 times as compared to 2.39 times in FY19. Conversion cycle of the company has almost doubled in FY20 as it reached 91 days in the fiscal as compared to 46 days in FY19. Average cash credit limit utilization was around 75% in the six months period of Jan 2020 to June 2020. In the absence of any substantial term loan repayment obligations, a low leveraged capital structure and availability of unutilized bank lines, the liquidity profile of ATBL seems adequate in the short to medium term.

COMPANY PROFILE

ATBL, incorporated in 1994, manufactures waste-paper-based newsprint and writing and printing paper, along with a 10-megawatt power generating unit for captive power usage and also to be sold to its sister concern. The sister concern Anand Duplex Limited (ADL) was set up in 1989. ADL manufactures duplex boards from waste paper. The company is promoted by Mr. Naman Vats and Mr. Daman Vats, and has its manufacturing unit in Meerut, Uttar Pradesh.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY20	FY19
Result Type		Provisional	Audited
Operating Income	₹ Crores	148.50	218.33
EBITDA	₹ Crores	10.69	24.23
PAT	₹ Crores	4.71	11.75
Tangible Net worth	₹ Crores	111.13	106.43
Total Debt / Tangible Net worth	Times	0.20	0.06
Current Ratio	Times	2.38	2.39

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY (Including suspended and withdrawn)

Instrument / Facilities	Current Rating (September 2020)			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	12 June 2019	01 June 2018	2017
Fund Based	Long Term	32	BWR BBB (Negative) Reaffirm; Outlook revised to Negative	BWR BBB (Stable) Upgrade	BWR BBB- (Stable) Assigned	NA
Non fund based	Short Term	6	BWR A3+ Reaffirm	BWR A3+ Upgrade	BWR A3 Assigned	
Total		38	INR Thirty Eight Crores Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

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Anand Triplex Board Limited

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	State Bank of India	Cash Credit	30	--	30
2		WCDL	2	--	2
3		Letter of Credit	--	4	4
4		Bank Guarantee	--	2	2
TOTAL			32	6	38

Total Rupees Thirty Eight Crores only.



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