

Rating Rationale

Anand Triplex Board Limited (ATBL)

12 Jun 2019

Brickwork Ratings revises the ratings for the Bank Loan Facilities of Anand Triplex Board Limited.

Particulars:

Issue	Previous Rated (Rs. Crs)	Amount Rated (Rs. Crs)	Tenure	Previous Rating 01 June 2018	Present Rating [^]
Fund Based					
Cash Credit	30.00	30.00	Long Term	BWR BBB- (Pronounced as Triple B minus) Outlook: Stable	BWR BBB (Pronounced as Triple B) Outlook: Stable Upgrade
Non-Fund Based					
Letter of Credit	6.00	6.00	Short Term	BWR A3 (Pronounced as BWR A Three)	BWR A3+ (Pronounced as BWR A Three Plus) Upgrade
Bank Guarantee	2.00	2.00			
Total	38.00	38.00	INR Thirty Eight Crores Only		

[^]Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Ratings: Upgraded for Anand Triplex Board Limited ('ATBL' or 'The Company').

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The upgrade in ratings have factored in sustained improvement in operating income and profitability margins over the years, long experience of the promoters in manufacturing of waste-paper-based newsprint, writing and printing paper. ATBL also benefits from its captive power plant of 10MW. Healthy cash accruals along with stable working capital requirements coupled with absence of any long term debt has resulted in the company reporting gearing of less than 1x and comfortable networth position of the company in FY18. ATBL is also associated with print media majors like Hindustan Media Venture Ltd and Dainik Jagran which are the bulk and regular key customers for the waste-paper-based newsprint.

The ratings draw comfort from the long track record of operations, consistent increase in scale of operations, established relations with customers and comfortable financial risk profile. However, the rating strengths are partially offset due to high customer concentration risks, high susceptibility to raw



material prices and global cues, and presence of stiff competition from other major players participating in this segment.

Going forward, BWR expects the company to continue to report healthy operating performance driven by healthy revenue growth and operating profitability will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths

- **Experience of the Promoters, diversified customer base and Substantial Order Book:** STL 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. amongst others. The established relationships with the customers has enabled the company to receive repetitive orders; with the current order book position being over Rs.55.76 Crs coupled with open order book which provides healthy revenue visibility for the current financial year.
- **Supported by established relations with customers and healthy growth in Total Operating Income:** The scale of operations has witnessed a CAGR of 6.60% for the years FY 16-18. Further in FY18 the company has registered a Y-o-Y growth of 44.57% and the same stood at Rs.200.71Crs (PY Rs.192.40Crs), and as per the provisionals shared by the management the company has registered a TOI of Rs.218.33Crs in FY19. The Company also operates a 10 MW captive power plant. Surplus steam and electric power, over and above the requirements of the Company, are sold to Anand Duplex Ltd (a sister concern).
- **Substantial Increase in OPM and NPM :** PAT margins have improved with OPM and NPM at 9.89% (PY :8.17%)and 3.61% (PY: 2.60%) respectively in FY18 and the same have further improved to 10.42% and 4.86% respectively in FY19 (Provisionals). The increase in OPM and EBIDTA during FY19 is due to the benefits derived from the increase in the average sales price of newsprint and decline in the average purchase price of imported waste paper, a key raw material. Further, the company has registered PAT of 7.24Crs in FY18 (PY : Rs.5.01Crs) and Rs.10.61Crs in FY19(Provisionals).
- **Comfortable financial risk profile:** The overall gearing of the company, TOL: TNW ratio, continues to remain at a comfortable level of 0.58x in FY18. Coverage indicators continues to remain at a comfortable level viz. ISCR > 4 times in both FY17 (ISCR : 4.18x)and FY18 (ISCR : 6.87x) ; DSCR> 2 times in both FY17 and FY18.

Key Rating Weaknesses

- **High customer concentration risk:** Top 5 customers comprise ~95% of the total sales of the company in FY17 and FY18. 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:** The Indian newsprint industry is exposed to global cues and any change in international regulatory norms/ policies, in the short or medium term, which might result in higher imports, is likely to impact the profitability margins of domestic producers.

Liquidity Risk: The company has financial flexibility owing to negligible long term debt and healthy liquidity with comfortable Networth of Rs.94.67Cr in FY18 and 105.28Cr in FY19(Provisionals), cash and cash accruals of Rs.11.98Cr in FY 18 and Rs.15.60Cr in FY 19 (Provisionals) depicts sound liquidity position of the company. Further, the majority of its limits are the working capital limits for which it reports adequate EBITDA levels for servicing its interest obligation every year.

Further, BWR notes that with ATBL's plans for no capital expenditure for another 2 years, its annual cash accruals from operations are expected to remain comfortable to service the overall interest obligations in a timely manner.

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 **Anand Triplex Board Limited's** 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

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. The sister concern, Anand Duplex Limited (ADL) was set up in 1989. ADL manufactures duplex board from waste paper. The companies are promoted by Mr. Naman Vats and Mr. Daman Vats, and have their manufacturing units in Meerut, Uttar Pradesh.

Rating History for the last three years

Instrument /Facility	Current Rating in 2019			Rating History		
	Type	Amount (₹ Crs)	Rating	2018	2017	2016
Fund Based						
CC/PC	Long Term	30.00	BWR BBB (Pronounced as BWR Triple B) Outlook:Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook:Stable	NA	NA
LC	Short Term	6.00	BWR A3 + (Pronounced as BWR Single A Three Plus)	BWR A3 (Pronounced as BWR Single A Three)	NA	NA
BG		2.00				
Total		38.00	INR Thirty Eight Crores Only			

Status of non-cooperation with previous CRA :NA

Key Financial Indicators

Key Parameters	Units	FY17	FY 18	FY 19
Result Type		Audited	Audited	Prov.
Operating Revenue	₹ Cr	192.40	200.71	218.33
EBITDA	₹ Cr	15.71	19.85	22.75
PAT	₹ Cr	5.01	7.24	10.61

Tangible Net worth	₹ Cr	87.47	94.67	105.28
TOL/TNW	Times	0.59	0.58	0.44
Current Ratio	Times	1.41	1.66	2.25

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Unit](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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