



Rating Rationale

Aricon Papers Pvt. Ltd.

18 Mar 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 14.06 Crores of Aricon Papers Pvt. Ltd..

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based			
Cash Credit	7.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) (Outlook : Stable)
Term Loan	7.06		
Total	14.06	INR Fourteen Crores and Six Lakhs Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial statement upto FY18 and projected financials upto FY20 and publicly available information and information/clarifications provided by the company.

The rating derives strength from the promoter's experience in the Paper industry, Increasing Top line YOY, Moderate debt coverage indicator and locational advantage. However, the rating is constrained by High gearing, Low liquidity position and Vulnerability of profitability to volatility in waste paper and power prices. Going forward, the ability of the Entity to accelerate its scale of operations, increase its profit margins, Compliance of Bank's sanction terms, efficiently manage its working capital and cash flows for timely servicing of interest/debt obligations and strengthening of overall financial risk profile shall be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

1. Experience of the promoters around over a decade in Paper industry.
2. Revenue increased & thin profitability reflected by sales of Rs.55.51Cr in FY18 VS Rs.25.87Cr in FY17 and PAT of Rs.0.06Cr in FY18 VS Nil PAT in FY17.
3. Moderate financial risk profile of the firm marked by debt protection metrics reflected by ISCR of 2.21 times in FY18 as against ISCR of 2.43times in FY17,DSCR of 1.98 times in FY18 as against DSCR of 2.49 times in FY17.
4. Locational advantage in terms of proximity to end customers .

Credit Risks:

1. Low Liquidity Position reflected by 1.24times in FY18 & FY17.
2. High gearing ratio reflected by 3.80 times in FY18 as against 3.20 times in FY17.
3. Operating profit margin level has increased marginally to 5.81% in FY18 from 5.32% in FY17 and PAT margin level has also increased to 0.10% in FY18 from -0.01% in FY17.
4. Vulnerability of profitability to volatility in waste paper and power prices.
5. Business exposure to regulatory changes in overseas markets and foreign currency fluctuations.
6. Fragmented industry structure with competition primarily from regional players.

Liquidity Profile

The cash & cash equivalent stood at Rs.2.13 Crs as on March 2018.The average utilisation of the working stood at 80 %.The Current ratio is above unity and stood at 1.24x as on March 2018.

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 **Aricon 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

M/S Aricon Papers Pvt. Ltd. (APPL) was incorporated on November 2015 at Morbi, Gujarat. Mr. Arjun Sitapara is the Managing Director of the company. Mr. Mukesh Likhiya, Hareesh Bhalodiya, Rajeshkumar Makasana, Sudhir Bhalodiya, Ghanshyam Amrutiya and Pankaj Bavarva are other directors of the company. The company has started commercial operation from October 2017. APPL is engaged in manufacturing and trading of Craft Papers with an installed capacity of 3500 MTS per month.

Company Financial Performance

Net Sales has increased to ₹55.51 Cr in FY18 from ₹25.87 Cr in FY17. PAT has increased to ₹0.06Cr in FY18 from ₹0.00 Cr in FY17. The company reported revenue ₹ 62.06 Cr from April to February 2019.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	55.51	25.87
EBITDA	₹ Cr	3.23	1.38
PAT	₹ Cr	0.06	0.00
Tangible Net worth	₹ Cr	5.06	5.00
Total Debt/Tangible Net worth	Times	3.80	3.20
Current Ratio	Times	1.24	1.24

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Tenure	Amount (₹ Crs)	Rating	2018	2017	2016
1	Fund Based	Long Term	14.06	BWR BB- (Pronounced as BWR Double B Minus) (Outlook : Stable)	-	-	-
	Total		14.06	₹ Fourteen Crores and Six Lakhs Only			

Status of non-cooperation with previous CRA : NA

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)



- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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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

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

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.

DISCLAIMER

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