

## Rating Rationale

### Brickwork Ratings assigns 'BWR BB+' (Outlook: Stable)/ 'BWR A4+' Ratings for the Bank Loan Facilities of Ashoka Kraft Paper Mills LLP

Brickwork Ratings has assigned the **Ratings<sup>1</sup>** for the Bank Loan Facilities of Ashoka Kraft Paper Mills LLP ('AKPM' or the Firm), amounting to Rs.33.15 Cr, as follows:

Facility	Tenure	Limits (₹ Cr)	Ratings <sup>1</sup>
<u>Fund Based</u> CC TL	Long Term	12.00 19.65*	<b>BWR BB+</b> (Pronounced BWR Double B Plus) Outlook: Stable
<u>Non-Fund Based</u> BG	Short Term	1.50	<b>BWR A4+</b> (Pronounced BWR A Four Plus)
Total		<b>33.15 (INR Thirty Three Crores and Fifteen Lakhs Only)</b>	

\*Term loans Outstanding as on 30<sup>th</sup> Sep, 2016

BWR has principally relied upon the audited financials of the Firm up-to FY16, provisional financials for 6MFY17, projections up-to FY18 and publicly available information and information/clarifications provided by the management.

The Ratings draw strength from the promoters' experience in paper industry as well as diversified businesses, demand potential of the products, reasonable improvement in the financial profile such as sales, margins, net-worth, debt coverage metrics etc. and improvement in capacity utilization level. The ratings also take cognisance of the upcoming forward integration unit (Corrugated box manufacturing unit).

The Ratings are however constrained by the limited track record of operations of the Firm, relatively moderate scale of operations and working capital intensive nature of operations.

### Background

Ashoka Kraft Paper Mills LLP was established in May, 2013, with its registered office at C-7/246, Yamuna Vihar Delhi. The Firm's manufacturing unit is in Baihata, Kamalpur, Kamrup district of Assam; in a land measuring 9 Bighas 9 Lechas.

It is engaged in the manufacturing of various grades of kraft papers which are mainly used in packaging industry. The commercial operation of the Firm started in Nov, 2014 with an installed capacity of 30,000 MTPA. In view of business expansion, the Firm increased its capacity to 37,500 MTPA. The clientele of the Firm includes corrugated box manufacturing companies from Guwahati, Kolkata, Delhi, Nepal etc.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

### Management Profile

Mr. Pradeep Kumar Gupta, Mr. Neeraj Kumar Jain, Mr. Brij Bhushan Gupta, Mr. Sumit Gupta and Mr. Suresh Agarwal are the current promoter partners of the Firm. They carry experience in diversified business including paper industry.

### Financial Performance

As per the audited FY16 financials, the Firm has reported turnover of Rs. 52.07 Crs against Rs. 15.35 Crs in FY15. PAT stands at Rs. 4.53 Crs in FY16 against Rs. 0.52 Crs in FY15. As per 6MFY17 figures, the Firm has achieved sales of Rs. 41.71 Crs with PAT at Rs. 4.56 Crs. Tangible Net-worth including unsecured loans from the promoters stands at ~ Rs. 21.38 Crs for FY16.

### Rating Outlook

The outlook is expected to be stable for the current year. Going forward, the Firm's ability to sustain its growth trend, efficient management of working capital cycle and early realization of the subsidy grant would remain the key rating sensitivities.

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