

Rating Report

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 **Ratings¹** for the Bank Loan Facilities of Ashoka Kraft Paper Mills LLP ('AKPM' or the Firm), amounting to Rs. 33.15 Crs, as follows:

Facility	Tenure	Limits (Rs. Crs)	Rating ¹
<u>Fund Based</u>			
CC	Long Term	12.00	BWR BB+ (Pronounced BWR Double B Plus)
TL		19.65*	
<u>Non-Fund Based</u>			
BG	Short Term	1.50	BWR A4+ (Pronounced BWR A Four Plus)
Total		33.15 (INR Thirty Three Crores and Fifteen Lakhs Only)	

*Term loans Outstanding as on 30th 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.

¹ Please refer to BWR website www.brickworkratings.com for definition of the rating assigned

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.

Note: The financial details are in the annexures I, II & III.

Key Rating Determinants:

- Experienced promoters, having experience in diversified businesses including Paper Industry
- Optimal Utilization of Capacity
- Substantial improvements in the turnover, PAT, Net-worth, coverage metrics etc.
- Reasonable demand potential as reflected from the growth as well as capacity expansion
- Upcoming Forward Integration Unit: An upcoming Associate Concern (by the name Kamrup Packaging Udyog) involving relatives of the partners of Ashoka Kraft Paper Mills LLP, would be involved in the manufacturing of corrugated boxes and packaging materials. The project is expected to be completed in April 2017. Once completed, it is expected to consume ~25-30 % of Ashoka Kraft Paper Mills LLP's production
- Comfortable debt protection metrics
- Relatively moderate scale of operations
- Limited track record of operations (However, the promoters have long standing experience in paper industry)

Rating Outlook

The outlook is expected to be stable for the current year. Going forward, the Company's ability to improve its turnover, sustain its growth trend as well as improvement in Net-worth would remain the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

Disclaimer: Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

Ashoka Kraft Paper Mills LLP
Annexure I- Profit & Loss Account

Profit And Loss Account (All figures in ₹ Crores)		
As on	FY15	FY16
Result Type	Audited	Audited
Gross Sales	15.35	52.07
Excise Duty/Sales Tax	0.00	0.00
Net Sales	15.35	52.07
Total Operating Income	15.35	52.07
Operating Expenses	13.38	43.16
OPBDIT	1.97	8.91
Depreciation/Amortization/Impairment	0.44	1.11
OPBIT	1.53	7.80
Interest and Finance Charges	0.99	2.75
OPBT	0.53	5.05
PBT	0.52	5.04
Provision for Taxes	0.00	0.51
PAT	0.52	4.53

Note: The Firm started commercial operations in Nov, 2014.

Ashoka Kraft Paper Mills LLP
Annexure II- Balance Sheet

Balance Sheet (All figures in ₹ Crores)			
As on	FY14	FY15	FY16
Result Type	Audited	Audited	Audited
Liabilities			
EQUITY AND RESERVES	0.50	10.10	15.86
Share capital	0.50	9.58	10.76
Reserves and Surplus	0.00	0.52	5.10
Non-current liabilities	21.53	26.11	31.97
Long-Term Borrowings	21.53	26.11	31.97
Current liabilities	0.41	7.08	9.74
Short-Term Borrowings	0.00	3.84	6.47
CPLTD	0.00	0.00	0.00
Trade Payables	0.38	2.10	1.75
Other Current Liabilities	0.00	0.86	0.93
Short-Term Provisions	0.02	0.28	0.59
Total Liabilities	22.44	43.30	57.56
Assets			
Non-current assets	18.36	23.81	31.19
Net Fixed assets	0.14	23.81	23.31
Capital Work-In-Progress	18.21	0.00	7.88
Non-Current Investments	0.00	0.00	0.00
Current assets	4.09	19.49	26.38
Inventories	0.00	3.62	3.47
Trade Receivables > Six Months	0.00	0.00	1.13
Trade Receivables < Six Months	0.00	5.44	10.13
Cash and Cash Equivalents	0.31	0.65	0.84
Short-Term Loans and Advances	2.89	9.78	10.81
Total Assets	22.44	43.30	57.56

Ashoka Kraft Paper Mills LLP
Annexure III- Ratios

Key Ratios			
As on		FY15	FY16
	Result Type	Audited	Audited
Operating Profit Margin	(%)	12.83	17.11
Net Profit Margin	(%)	3.40	8.70
ROCE	(%)	4.99	16.53
Total Debt	₹ Crs	29.95	38.44
Tangible Net Worth	₹ Crs	10.10	15.86
Tangible Net Worth (Analyzed)	₹ Crs	15.00	21.38
Total Debt/TNW	Times	2.96	2.42
Total Debt/TNW (Analyzed)	Times	1.67	1.54
ISCR	Times	1.98	3.24
DSCR	Times	0.48	1.29
Net Cash Accruals/Total Debt	Times	0.03	0.15
Current Ratio	Times	2.75	2.71
Days Receivables	Days	65	59
Days Inventory	Days	53	32
Days Payable	Days	16	11
Conversion Cycle	Days	102	79