

Astron Paper and Board Mills Limited

Issue Snapshot:

Issue Open: Dec 15 – Dec 20, 2017

Price Band: Rs. 45 – 50

Issue Size: 14,000,000 Equity Shares (of which Employee reservation of upto 7,00,000 eq sh @ discount of Rs.2.50)

Offer Size: Rs.63.0 crs – 70.0 crs

QIB Upto 10% eq sh
Retail at least 35% eq sh
Non Institutional at least 55% eq sh

Face Value: Rs 10

Book value: Rs 16.62 (Sept 30, 2017)

Bid size: - 280 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity: Rs. 32.50 cr
Post issue Equity: Rs. 46.50 cr

Listing: BSE & NSE

Book Running Lead Manager: Pantomath Capital Advisors Private Limited

Registrar to issue: Link Intime India Private Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	62.64	43.78
Public & Others	37.36	56.22
Total	100.0	100.0

Source for this Note: RHP

Background & Operations:

Astron Paper and Board Mills Limited (APBML) is engaged in manufacturing of kraft paper. Within a short span of time, the Company has developed a name for itself in kraft paper industry and has been able to establish a brand associated with qualitative and comprehensive range of kraft papers. It mainly caters to packaging industry and has been able to develop a loyal clientele network consisting of various packaging companies and MNCs. Currently it is operating in domestic markets with products being supplied on pan India basis and is in the process of exploring export markets.

APBML is one of the major kraft paper manufacturers in Gujarat with its manufacturing facility having an installed capacity of 96,000 mt tonnes p.a. Its manufacturing facility is situated at Halvad, Gujarat and is well equipped with requisite plant and machineries and other facilities. It also has in house testing laboratory for quality control checks and testing of its products. With increasing environmental awareness, the Company has since its inception adopted the use of waste paper as raw material instead of traditional usage of wood. The process of manufacturing Kraft paper involves recycling of waste paper and with many organisations, now supporting the Go Green Campaign, it increases the demand of FSC certified Kraft paper as the same is eco friendly.

APBML's product Kraft paper is used by packaging industry for manufacturing corrugated boxes and liners, corrugated sacks and composite containers. It offers varied products like High RCT, Kraft Liner, Liner to Corrugated Medium Paper, ranging mainly from 140 GSM to 350 GSM and 22-35 BF. It endeavor to serve its customers, each having different requirements of Ring Crust test (RCT), Gram square meter (GSM) and weight pressure. APBL mainly imports raw material for ensuring better quality of output. It has also been accredited with Authorised Economic Operator- T1 Certificate (Importer and Exporter) which provides it with certain benefits in relation to its imports and helps in cost savings. It has also been actively participating and associated with the Federation of Corrugated Box Manufacturers of India and Indian Corrugated Case Manufacturers Association and aims to establish its brand as a distinguished name in industry.

From FY 2013-14 to FY 2016-17, as per Restated Financial Statements, i) APBML's total revenue has shown growth from Rs. 1,061.98 million to Rs. 1,845.89 million, representing a CAGR of 14.82% ii) BITDA has shown growth from Rs. 113.32 million to Rs. 230.06 million, representing a CAGR of 17.95% iii) PAT has shown growth from Rs. a loss of Rs. (30.21) million to a profit of Rs. 99.59 million and iv) Return on networth has shown a growth from (12.78)% to 21.98%. Total revenue, EBITDA and profit after tax for the six months ended September 2017 was Rs. 1,109.61 million, Rs. 146.20 million and Rs. 94.55 million respectively, with an EBITDA margin of 13.18% and PAT margin of 8.52%.

Objects of Issue:

The Net Proceeds from the Fresh Issue are proposed to be utilised towards the following objects:

- Setting up of additional facility for manufacturing of lower GSM and lower B.F Kraft Paper.
- Part repayment of unsecured loan availed by the Company.
- Funding the working capital requirements of the Company.
- General corporate purposes

Requirements of Funds

Particulars	Amount
Setting up of additional facility for manufacturing of lower GSM and lower B.F Kraft Paper	230.20
Part repayment of unsecured loan availed by the Company	81.00

Funding the working capital requirements of the Company.	239.00
General corporate purposes	*

Competitive Strengths

- Experienced management and dedicated employee base:
- Scalable Business Model:
- Quality certifications:
- History of repeat orders:
- Location Advantages:

Business Strategy:

- Setting up of additional manufacturing facility which will increase product range.
- Expand domestic geographical reach through marketing network.
- Continue to improve operating efficiencies through technology enhancements.
- Forward integration.

Key Concerns

- APBML's historical revenues have been significantly dependent on few customers. The loss of one or more of its significant customers or significant reduction in production and sales of, or demand for its product from significant customers may adversely affect the business, financial condition, result of operations and cash flows.
- Generates major portion of sales from operations in certain geographical regions especially Gujarat, Madhya Pradesh and Rajasthan.
- Any significant decline in the demand for products i.e. Kraft paper or introduction of alternative technology or consumer habits may adversely affect profitability and business prospects.
- Mainly dependent on imports for supply of major raw material; i.e.waste paper.
- Require certain approvals and licenses in the ordinary course of business and are required to comply with certain rules and regulations to operate business.
- Exposed to foreign currency exchange rate fluctuations.
- Delay in schedule of implementation may subject the Company to risks related to time and cost overrun.
- The shortage or non-availability of power and water facilities may adversely affect the company's paper manufacturing process and have an adverse impact on its results of operations and financial condition.
- The industry in which APBML operates is labour intensive.
- Business prospects and continued growth depends on ability to access financing at competitive rates and competitive terms.
- Volatility in the supply & pricing of raw materials may have an adverse effect on the business, financial condition & results of operations.
- Any increase in interest rates would have an adverse effect on results of operations and will expose Company to interest rate risks.
- APBML's manufacturing operations are critical to its business and any shutdown of its manufacturing facilities may have an adverse effect on its business, results of operations and financial condition.
- Underutilization of capacity of additional manufacturing facility may adversely affect its business, results of operations and financial condition.
- Do not generally enter into agreements with raw material or traded goods suppliers.
- The industry segments in which APBML operates being fragmented, faces competition from other players.
- Any adverse events in the industries which APBML caters could have a material impact on the performance of the Company.
- Failure to manage inventory could have an adverse effect on net sales, profitability, cash flow and liquidity.
- Inability to effectively manage growth or to successfully implement business plan and growth strategy could have an adverse effect on the business, results of operations and financial condition.
- Orders placed by customers may be delayed, modified, cancelled or not fully paid for by the customers, which may have an adverse effect on business, financial condition and results of operations.
- APBML's loan agreements with various lenders has several restrictive covenants and certain unconditional rights in favour of the lenders, which could influence its ability to expand, in turn affecting the business and results of operations.

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