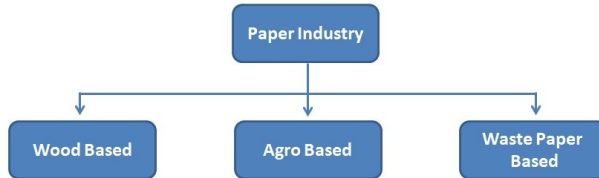


IPO UPDATE

Astron Paper & Board Mill Limited

Indian Paper Industry:

The Paper Industry in India can be classified into three categories according to the raw material consumed:



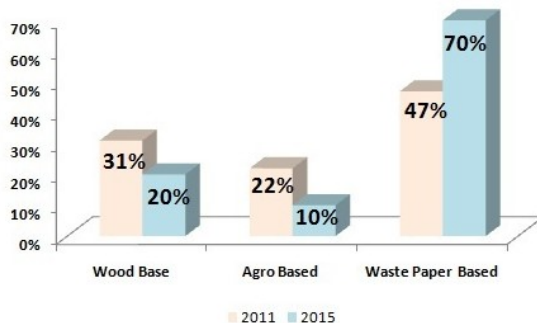
Source: Red Herring Prospectus

Traditionally, in India, softwood has been the main raw material used to make paper, especially for high quality printing papers. However, with increase in population and growth with awareness of education; the demand for paper has steadily increased. But simultaneously there has been shortage of the forest resources, leading to shortfall in wood pulp. Also softwoods thrive in temperate climates and India is scarce with these forests. Thus, in such circumstances, bamboo has become the substitute raw material for papermaking in the country.

Current raw material scenario for Paper Industry :

Considering the shortage of raw material being faced through the forest resources, there has been a drastic change observed in the raw material consumption pattern in the recent years with the pulp & paper industry witnessing a rise in the use of Waste Paper. This shift has been mainly brought about in tandem to the objective of environmental compliance.

Change in raw material consumption pattern of the Indian Paper Industry:



End user segment for Paper Industry

The Indian paper industry can be broadly classified into three segments based on the users:

1. Printing & writing (P&W):

Printing and writing segment caters to office stationary, textbooks, copier papers, notebooks etc. This segment forms ~31% of the domestic paper industry. Governments thrust on education through steps like Right to Education, Sarva Shiksha Abhiyan, rise in service sector are key factors contributing to the growth of this segment.

2. Packaging paper & board:

Packaging paper & board segment caters to tertiary and flexible packaging purposes in industries such as FMCG, food, Pharma, textiles etc. This segment forms ~47% of the domestic paper industry. It is currently the fastest growing segment owing to factors such as rising urbanization, and increasing penetration of organized retail.

3. Newsprint:

Newsprint serves the Newspaper & Magazines industry. This segment forms ~18% of the Indian paper industry. This segment is under stress due to lower growth rates and import threat.

SNAPSHOT

Issue Opens	Friday, December 15, 2017
Issue Closes	Wednesday, December 20, 2017
Price Band	Rs45 to Rs50
Bid Lot	280 shares and multiples thereafter
Face Value	Rs10
Listing	BSE & NSE
Type of Issue	Fresh Issue of 1,40,00,000 shares
Offer Size	Fresh Issue Rs700mn
Implied Market Cap *	Rs2,325mn
PE (based on FY17 earning)*	23.35

Note : Implied Market Cap & PE are calculated at higher price band of Rs50

Issue allocation

Reservations	% of Net Issue
QIB	55%
NIP	10%
Retail	35%
Total	100%

Object of the offer

- Setting up of additional facility for manufacturing of Kraft Paper with lower GSM ranging from 80 to 180 GSM and lower B.F ranging from 12B.F to 20B.F
- Part repayment of the unsecured loan;
- Funding of working capital requirements
- General corporate purposes

Last 3 year Summarized Financials

Rs(mn)	FY15	FY16	FY17
Sales	1,519	1,575	1,833
EBITDA	191	195	217
EBITDA %	12.6%	12.4%	11.8%
Net profit After Tax	41	61	100
Net Profit Margin %	2.7%	3.9%	5.4%
Earning Per Share	1.3	1.9	3.1
RoNW(%)	14.1%	17.2%	21.9%

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Past Trends in Paper Industry :

The Indian paper industry with approximately 13 million tonnes (MT) of capacity accounts for about 3% of the global paper production. According to Indian Paper Mills Association, the domestic consumption of paper in India during 2014-15 was 13.9MT, y-o-y growth of 6%. The per capita consumption of paper in India stands at ~11 kg, which is relatively lower compared to other developed and developing countries. Although India's per capita consumption of paper is quite low compared to global countries, the demand is set to rise from the current 13MT to an estimated 20MT by 2020.

About the company :

Astron Paper and Board Mill Limited is engaged in manufacturing of Kraft paper. Within a short span of time, the company has developed a name for itself in the Kraft paper industry and has been able to establish a brand associated with qualitative and comprehensive range of Kraft papers. The company mainly caters to packaging industry and has been able to develop a loyal clientele network consisting of various packaging companies and MNCs. The company is promoted by Kirit G. Patel, Ramakant Patel, Karshanbhai Patel and Asian Granito (India) Limited in 2010.

Year	Milestone
2010	Incorporation of Company
2012	Commencement of commercial production
2014	Achieved turnover of more than Rs.100 crores
2014	Received ISO 9001: 2008 and ISO 14001: 2004 certification in respect of in respect of manufacture and dispatch of Kraft Paper.
2016	Received Authorised Economic operator- T1 certificate
2017	Received permission for availing Direct Port Delivery facility

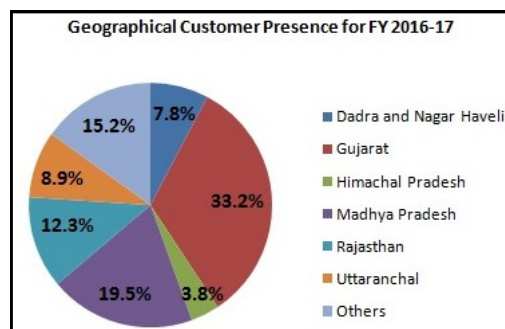
Source: Red Herring Prospectus

The Company has since its inception adopted the use of waste paper as raw material instead of traditional usage of wood. Being one of the major Kraft paper manufacturers in Gujarat, the company has an installed capacity of 96,000mtpa. (as per the DHRP). The manufacturing facility is situated at Halvad, Gujarat and is well equipped with requisite plant and machineries and other facilities. The process of manufacturing Kraft paper involves recycling of waste paper and with many organizations, now supporting the Go Green Campaign, it increases the demand of FSC certified Kraft paper as the same is eco friendly. The company's product Kraft paper is used by packaging industry for manufacturing corrugated boxes and liners, corrugated sacks and composite containers. Currently the company is operating in domestic markets with products being supplied on PAN India basis and is in the process of exploring export markets.

Products:

Product Type	Specification
High RCT Paper	GSM Range : 135– 185 Thickness : 175 –225 U
Kraft Liner	GSM Range : 145– 365 BF Range : 22-35
Liner	GSM Range : 145– 365 BF Range : 22-35
Corrugated Medium Paper	GSM Range : 135– 205 BF Range : 18-24

Source: Red Herring Prospectus



Source: Red Herring Prospectus

Capacity Utilization :

Particulars	Actual			Projected		
	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Installed (mtpa)	66,000	72,000	80,000	1,01,500	1,29,000	1,29,000
Utilisation (mtpa)	54,340	56,669	63,371	81,600	1,06,350	1,08,000
Capacity Utilization (%)	82.3%	78.7%	79.2%	80.4%	82.4%	83.7%

Source: Red Herring Prospectus

IPO UPDATE

Astron Paper & Board Mill Limited

Ratios:

Particulars Rs(mn)	FY14	FY15	FY16	FY17
EBITDA %	10.4%	12.6%	12.4%	11.8%
RONW	(12.8%)	14.1%	17.2%	21.9%
PAT Margin	(2.9%)	2.7%	3.9%	5.4%
Debt Equity Ratio	3.1	2.5	2.2	1.9
Asset Turnover Ratio %	0.8	1.1	0.9	1.1

Source: Red Herring Prospectus

Working Capital Cycle:

Working Capital Analysis (In Months)	FY14	FY15	FY16	FY17
Trade Receivable Period	2.9	2.1	5.6	2.1
Inventory Cycle	2.1	2.4	2.8	2.7
Trade Payables Period	4.2	4.5	4.3	3.9
Working Capital Cycle	3.2	3.0	3.5	3.4

Source: Red Herring Prospectus

Peer Comparison:

Particulars	Sales (in mn)	EPS	PE	NAV Per Share	RONW
Shree Ajit Pulp and Paper Ltd	2,087	11.9	22.1	174.7	6.8%
Genus Paper and Board Ltd	3,130	0.3	31.9	12.6	2.1%
South India Paper Mills Ltd	1,967	8.4	15.2	91.3	9.2%

Source: Red Herring Prospectus

Financials:

Particulars Rs(mn)	FY14	FY15	FY16	FY17	FY18 Till September
Sales	1,058	1,519	1,575	1,833	1,110
Sales Growth	298%	44%	4%	16%	-
EBITDA	110	191	195	217	146
EBITDA %	10.4%	12.6%	12.4%	11.8%	13.2%
Net profit After Tax	(30)	41	61	100	95
Net Profit Margin %	(2.9%)	2.7%	3.9%	5.4%	8.5%

Source: Red Herring Prospectus

Outlook and Recommendations:

At the upper price band of Rs50 with an EPS of Rs3.06, the company's P/E works out at 16.3x, while industry's average P/E ratio is 22.89x. On comparison with some of the listed peers like Shree Ajit Pulp and Paper Ltd, Genus Paper & Boards Ltd and South India Paper Mills Ltd whose P/E stand at 22.1x, 31.9x and 15.2x, respectively, the IPO is fairly priced. For FY17, the company delivered RoNW of 21.9%. Demand for corrugated boxes (Kraft paper is the raw material) for packaging is increasing steadily and the company is planning to start manufacturing of these boxes. It is also planning to explore export markets and expand in the domestic markets. It however has the risk of growth at a slow pace. However, backed by the high growth and improvement in profitability, one can invest into the IPO from a long term horizon.

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