



Press Release 10th October 2019.
Astron Paper and Board Mill Limited
CMP : 98, Market cap : Rs.455 Cr.

Astron Paper & Board Mill Limited is one of the largest manufacturers of Kraft paper, used in the packaging industry. The company has been promoted Mr.Kirit Patel, Mr Ramakant Patel, Mr Karshan Patel and Asian Granito India Ltd in 2010. It listed on the NSE & BSE exchange Dec.2017 through and IPO raising Rs.69.8 crs with issue of 1.4 cr shares at Rs.50.

Remarkable performance since listing.
Capacity Has Almost Doubled In The Last Two Years

The last two years have been remarkable for Astron. The manufacturing capacity has been almost doubled from 96,000 mtpa in FY18 end to current 174,600 mtpa. This has been done through expansion and also acquisitions. A new production line PM-2 was added adjacent to existing facility at Halvad Gujarat. The Halvad plant is on a 99250 sqmtrs of land, of which only approx. 25% is currently utilised. It is 200 kms from Mundra Port, giving locational advantage for import of material (Waste Paper) and exports.

The acquired plants include plant a Bhuj with installed capacity of 24,000 MT per annum and Balaram Papers Pvt Ltd at Mehsana, Gujarat with capacity of 21600 MT per annum.

Since inception waste paper has been used as raw material instead of traditional usage of wood thus promoting the eco-friendly world. The plant is situated near the port giving it locational advantage. Astron has in-house captive power plant of 3MW to support electricity requirements. This currently meets the steam and about 50% of the power requirements. Plant is equipped to conduct processes commencing from the raw material testing till dispatch of final product.

Current product portfolio High RCT paper and GSM range mainly from 80 GSM to 350 GSM with 16 -40 BF. Astron Paper & Boards has invested a lot of effort on developing new in the Kraft paper segment including import substitute products.

The clients of Astron convert kraft paper into cartons and supply to companies in FMCG, Pharmaceuticals, Auto, E-Commerce etc including large MNC's. These vendors prefer larger Kraft paper manufacturers in the organised sector, who also as required get their paper pre-approved by the client for paper quality and specifications.

Strong Financial performance & Export growth.

FY19 was a year of strong growth and capacity expansion. Total Revenue in FY19 at Rs.375 crore was up 48% YoY. EBIDTA at Rs.55 crore was up 70% YoY. The profit PAT at Rs.28 crore up 36% YoY, despite big jump in the tax outgo. Exports which contributed 8% of FY19 revenues is estimated to cross 15% by next year.

In 1QFY20 Revenues for 3 months Q1 FY19-20 ending June 2019 were Rs.82.71 crore, up 2.86% YoY. Some impact was felt on production as the Bhuj Plant remain shut down for 22 Days for modernization and capacity expansion. This also lead to a subdued PAT for the 3 months at Rs.5 crore.

Industry Update

Strong demand for kraft paper.

The Paper Industry is back on investors list this year, this is reflected in the performance of most paper companies. In this segment, Astron Paper & Boards, is expanding and now among the leading manufacturers of Kraft paper in India. The Indian paper industry sentiment has become positive driven by government policy and increasing demand from consuming sectors.

The demand for Kraft paper is strong and increasing with every year from new applications like Groceries, E-com for packaging and shipping. The Kraft paper and Corrugated Box industry is fast becoming a sunrise industry. This offers Astron Paper a lot of potential for growth and give good returns to investors.

Government push to ban single use plastics.

Prime Minister Narendra Modi is proposed to launch the campaign with a nationwide comprehensive ban on as many as six items including single use bags, straws, small bottles & plates. These items are said to account for almost 10% of India's annual consumption of about 14 million tonnes of plastic.

Astron Paper has been preparing for this since the last year, developing new packaging paper through its own R&D, which is import substitute as well as used in packaging to replace plastics.

- ✓ In India, there is a strong move toward reducing the use of plastics and banning single use plastics. This is expected to see an increase in replacement by paper and paper packaging materials.
- ✓ Astron has been preparing for this with new product introduction through In-house Research and Development.
- ✓ Globally paper and paperboard as packaging material is increasing in preference over plastics world. The demand and growth rates in Global Kraft Paper market is estimated to increase by market sources to US\$11 billion by 2025, from US\$7.8 billion in 2018, at a CAGR of 5.7% in the period 2019 – 2025.

Huge rise in Online trade & E-Com in India and China

- ✓ E-commerce companies such as Amazon, Flipkart etc have already announced cut back on plastic packaging, currently estimated to account for nearly 40% of India's annual plastic consumption.
- ✓ Asia Pacific coated paper market estimated to grow at 6% over 2016-2024 as per market estimates
- ✓ Changing consumer preferences toward packed meals, increasing demand for home delivery, and rising popularity of digitization across the region will fuel APAC coated paper industry in the years to come

Future Plan

Company may consider installing additional captive power plant of 8 MW to rely fully internal support for electricity and steam requirements at its Unit -1 located at Halvad, Gujarat. This is subject to the necessary Government Approval and planning of source of fund and subject to viability with proper due diligence. Approx. INR 60 Cr fund required to install the power plant.

The Indian Paper Manufacturers Association (IPMA) has called for paper and paperboard to be kept in the Negative List, with no further import tariff concessions, under the proposed RCEP (Regional Comprehensive Economic Partnership).

The paper industry has raised concern over duty-free import of paper and paperboard proposed under the 16-member Regional Comprehensive Economic Partnership (RCEP) agreement being negotiated between the 10-member ASEAN, India, China, South Korea, Japan, Australia and New Zealand even as India is formulating strategy for the next round of RCEP negotiations in China.

RCEP countries want India to eliminate import duties to tap the growing domestic market. The domestic industry is looking towards government policy to safeguarded imports from China and ASEAN countries. The basic customs duty (BCD) on paper and paperboard stands at nil under India-ASEAN FTA and India-Korea CEPA. Further, under the Asia Pacific Trade Agreement (APTA), India extended import tariff concessions to the world's largest paper producer China at reduced customs duty to 7% from 10% on most grades of paper.

Imports have grown CARG of 14% to 1.48 million in FY18 from 0.54 mt in FY11 and increased by 13% CARG to Rs.9,134 crore in FY18 vs Rs.3,411 crore in FY11. In the same period, imports from ASEAN and South Korea, with whom India has FTAs, has increased at a CAGR of 34% and 42% in volume terms respectively.

Strict norms imposed by the EPA (Environmental Protection Agency) is expected to boost demand of paper packaging in North America. Following a similar growth trajectory is Europe, which is expected to see demand surge owing to stringent regulations introduced by REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals).

Under the visionary leadership of Shri Kirit Patel, Chairman & Managing Director, Company achieved many mile stone since inception, Company looking forward to receive continuous support from all the stakeholders.

REGISTERED OFFICE

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