Century Plyboards (India) Limited

Instrument	Rated Amount	Rating Action
Fund Based Limits – Term Loan	Rs. 436.85 crore (enhanced from Rs. 184.44 crore)	Revised upwards to [ICRA]AA- (Stable)
Fund Based Limits – Cash Credit	Rs. 350.00 crore (enhanced from Rs. 150 crore)	Revised upwards to [ICRA]AA- (Stable)
Non Fund Based Limits	Rs. 520.00 crore (enhanced from Rs. 491.82 crore)	Revised upwards to [ICRA]A1+

ICRA has revised upwards the long term rating assigned to the Rs. 436.85 crore term loans (enhanced from Rs. 184.44 crore[1]) and the Rs. 350 crore cash credit facility (enhanced from Rs. 150.00 crore) of Century Plyboards (India) Limited (CPIL)[2]. The outlook on the long term rating is stable. ICRA has also revised upwards the short term rating assigned to the Rs. 520 crore non fund based bank facilities (enhanced from 491.82 crore) of CPIL.

The rating revision takes into account CPIL's consistent improvement in business performance, in FY2015 as well as FY2016, which coupled with debt repayments and high accretion to reserves have resulted in comfortable capital structure and coverage indicators of the company. ICRA notes that CPIL gets continued raw material supplu, through its wholly-owned subsidiary in Myanmar, which has a veneer manufacturing facility, thus enabling it to enjoy a competitive edge over other players. This has enabled CPIL to significantly grow its scale of operations, improve its profitability and return indicators. The ratings continue to derive comfort from the experience of the promoters of more than three decades in the plywood and laminate industry, CPIL's dominant position in the industry and its large product portfolio with multiple brands positioned across the entire price spectrum. The ratings also incorporate CPIL's wide distribution network and its brand strength that helped the company achieve a compounded annual growth rate (CAGR) of around 11% in the last six years despite strong competition from the unorganised sector. While revising the ratings, ICRA has taken note of the company's ongoing large debt funded capital expenditure to set up an Medium Density Fibre (MDF) Board unit at Hoshirpur. Although the incremental loans would result in some deterioration of the capital structure, over the short term, the extended repayment schedule of the loans, which have already been contracted, and the healthy cash accruals expected from the MDF unit post commencement of commercial operations, is likely to keep debt coverage indicators at a comfortable level. The long term rating continues to remain constrained by the highly competitive business environment on account of intense competition from a large number of unorganised and organised players restricting pricing flexibility. Additionally, the company's operations remain working capital intensive and it also remains exposed to forex risks, given the large import content of raw material and the company's policy of leaving the exposure unhedged. ICRA however notes that, with healthy cash accruals from business, the company's dependence on bank facilities to fund its working capital loans has reduced considerably over the last 12 to 18 months. Additionally, with the increase in scale of operations, forex exposure as a proportion of profits has gone down considerably. The timely commencement and stabilization of the new unit, managing working capital intensity while growing its scale of business and maintaining operating profitability of its existing business would remain the key rating sensitivities going forward. With majority of the existing debt scheduled to be repaid by the time the repayment for the fresh debt commences, ICRA expects CPIL's liquidity position to remain healthy and cash flows to remain comfortable relative to its debt coverage indicators.

Company Profile

CPIL was incorporated in January 1982 by Mr. Sajjan Bhajanka and Mr. Sanjay Agarwal. The company is involved in the manufacturing of plywood, veneer, laminates and allied products. The installed capacities of the plywood and laminates are 210,000 cubic metre (cbm) and 4,800,000 cbm respectively. CPIL's manufacturing units are located in Joka (West Bengal), Guwahati (Assam), Kandla (Gujarat), Chennai (Tamil Nadu), Karnal (Haryana), Roorkee (Uttarakhand) and Myanmar. The Roorkee and Myanmar units operate through

[1] 100 lakh = 1 crore = 10 million

[2] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications

subsidiaries. In addition, the company operates two container freight stations located in Kolkata. CPIL is setting up a MDF Board unit at Hoshiarpur, Punjab, which is expected to commence production from Q1 FY2018.

Recent Results

As per provisional results, the company has reported a net profit of Rs. 43.1 crore on an operating income of Rs. 405.75 crore during Q1FY2017 as compared to a net profit of Rs. 39.7 crore on an operating income of Rs. 370.92 crore during Q1FY2016.

The company has recorded a net profit of Rs. 168.1 crore on an operating income of Rs. 1659.02 crore during FY2016 as compared to a net profit of Rs. 150.8 crore on an operating income of Rs. 1565.45 crore during

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