March 31, 2025

Century Plyboards (India) Ltd: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term - Fund-based limits-Term loan	100.00	100.00	[ICRA]AA (Stable); reaffirmed
Long-term – Fund-based /Non-fund based - Others	200.00	200.00	[ICRA]AA (Stable); reaffirmed
Long-term - Fund-based limits-Cash credit	195.00	400.0	[ICRA]AA (Stable); reaffirmed/ assigned for enhanced amount
Long-term-Proposed fund-based limits- Cash credit	205.00	80.00	[ICRA]AA (Stable); reaffirmed
Short-term - Non-fund based limits	350.00	360.00	[ICRA]A1+; reaffirmed/assigned for enhanced amount
Short-term-Proposed non-fund based limits	10.00	70.00	[ICRA]A1+; reaffirmed/assigned for enhanced amount
Total	**1060.00**	**1210.00**	

**Instrument details are provided in Annexure I*

Rationale

While assigning the ratings, ICRA has taken a consolidated view of Century Plyboards (India) Ltd (CPIL) and its wholly-owned subsidiary, Century Panels Limited (CPL), given the strong business and financial linkages along with a common treasury team, and CPL acts as an extended arm for CPIL.

The ratings reaffirmation for CPIL factors in the expected healthy growth in scale of operations and strong debt coverage metrics. The favourable growth prospects across product categories, supported majorly by demand from real estate, ready-made furniture and increased spending on interior works in residential dwelling units, are likely to aid in the ramp-up in the capacity utilisation of recently commissioned capacities. Consequently, the consolidated operating income (OI) is estimated to grow by 15-17% in FY2025 to Rs. 4,500-4,600 crore (PY: Rs. 3,886.0 crore) and the healthy increase in OI is expected to sustain in FY2026. The operating margins are expected to improve by 100-150 bps to 12-13% in FY2026 (9M FY2025: 10.6%) due to better absorption of fixed costs in laminate and medium-density fibreboard (MDF) plants led by ramp-up of new plants and likely improvement in realisations in MDF and particle board (PB) segments, as the Government of India has made BIS certification mandatory for wooden products. This is expected to curtail cheap imports into the country to some extent in the near term. CPIL's total debt (TD) increased to Rs. 1,257.7 crore as of December 2024 from Rs. 771.0 crore as of March 2024, majorly due to the debt-funded capex undertaken by the company in the laminate, MDF and PB segments. With absence of any major debt-funded capex plans in the medium term, expected ramp-up in revenues and operating profits, the leverage metric (total debt/OPBDIT) is expected to improve to 1.4-1.5 times as of March 2026, from 2.3-2.4 times estimated as of March 2025 (9M FY2025: 2.7 times).

The debt coverage metrics are expected to remain strong with debt service coverage ratio (DSCR) projected in the range of 6.2-6.7 times in FY2025 and 4.5-5.0 times in March 2026. The ratings also draw comfort from CPIL's dominant position in the plywood industry (25-30%[1] market share within the organised segment), a large product portfolio across the price spectrum, a wide distribution network of more than 3,900 dealers and 18,000 retailers across India and brand strength with premium pricing across products. The ratings continue to consider the vast experience of the promotors spanning more than three decades in the plywood and allied products industry.

[1] *As per CPIL annual report of FY2024*

The strengths are, however, partially offset by susceptibility of CPIL's operating margins to pricing pressures and fluctuations in raw material prices. The company is exposed to intense competition from the organised (laminates, MDF) and unorganised sectors (plywood, PB), restricting CPIL's pricing flexibility, lumpy capacity additions in the organised sector (MDF, PB) resulting in demand-supply mismatch and dumping of cheaper imports (MDF, PB) from Southeast Asian countries. Further, the raw material prices (timber and crude oil-based chemicals) are inherently volatile, which has resulted in a dip in operating margins (OPM) to 13.7% in FY2024 from 16.1% in FY2023 and further to 10.6% in 9M FY2025. Nonetheless, ICRA expects the operating margins to improve to 12-13% in FY2026, backed by an expected improvement in realisations and better absorption of fixed costs. The ratings are also constrained by post-implementation risks related to the ramp-up and stabilisation of the new units. The greenfield laminate and MDF plants started commercial operations in Q1 FY2025 and the PB plant is expected to commence operations in Q1 FY2026. With the current high proportion of imports and lumpy capacity addition by other leading wood panel players in India, CPIL faces offtake risks for its newly commissioned MDF plant and upcoming PB plant. The ramp-up of these capacities would remain critical for sustaining return on capital employed (ROCE) at healthy levels. The company's operations are working capital intensive in nature and remain exposed to fluctuations in exchange rates, given the sizeable import of raw materials. The company also remains constrained by the vulnerability of the demand to real-estate cycles.

The Stable outlook on the [ICRA]AA rating reflects ICRA's opinion that CPIL will continue to benefit from its strong business profile in the domestic market, leadership position in the plywood industry and strong coverage metrics.

Key rating drivers and their description

Credit strengths

Healthy growth in scale of operations expected in medium term – CPIL has increased its MDF and laminate capacities by 100% and 9%, respectively, and these new capacities have commenced production in Q1 FY2025. The favourable growth prospects across product categories, supported majorly by demand from real estate, ready-made furniture and increased spend on interior works in residential dwelling units, are likely to aid in the ramp-up in the capacity utilisation of recently commissioned capacities. Consequently, the consolidated operating income (OI) is estimated to grow by 15-17% in FY2025 to Rs. 4,500-4,600 crore (PY: Rs. 3,886.0 crore) and the healthy increase in OI is expected to sustain in FY2026. The operating margins are expected to improve by 100-150 bps to 12-13% in FY2026 (9M FY2025: 10.6%) due to better absorption of fixed costs in laminate and medium-density fibreboard (MDF) plants, led by ramp-up of new plants and likely improvement in realisations in MDF and particle board (PB) segments as the Government of India has made BIS certification mandatory for wooden products. This is expected to curtail cheap imports into the country to some extent in the near term.

Strong debt coverage metrics – CPIL's total debt (TD) increased to Rs. 1,257.7 crore as of December 2024 from Rs. 771.0 crore as of March 2024, majorly due to the debt-funded capex undertaken by the company in the laminate, MDF and PB segments. With absence of any major debt-funded capex plans in the medium term, expected ramp-up in revenues and operating profits, the leverage metric (total debt/OPBDIT) is expected to improve to 1.4-1.5 times as of March 2026, from 2.3-2.4 times estimated as of March 2025 (9M FY2025: 2.7 times). The debt coverage metrics are expected to remain strong with debt service coverage ratio (DSCR) projected in the range of 6.2-6.7 times in FY2025 and 4.5-5.0 times in March 2026.

Established brand name, wide distribution network and strategic location of manufacturing units strengthen CPIL's operating profile – CPIL has a dominant position in the plywood industry (25-30% market share within the organised segment), a large product portfolio across the price spectrum, a wide distribution network of more than 3,900 dealers and 18,000 retailers across India and brand strength with premium pricing across products. Further, the manufacturing plants are strategically located near raw material sources, ensuring adequate availability of raw materials and leading to lower freight costs. CPIL also has backward-integrated units in Gabon for the supply of veneer. The growth across product categories is expected to be supported by healthy demand from the end-user industries such as real estate, ready-made furniture and increased spend on interior works in residential dwelling units.

Credit challenges

Operating margins susceptible to pricing pressure, fluctuations in raw material prices and currency – CPIL is exposed to intense competition from the organised (laminates, MDF) and unorganised sectors (plywood, PB), restricting CPIL's pricing flexibility, lumpy capacity additions in the organised sector (MDF, PB) resulting in demand-supply mismatch and dumping of cheaper imports (MDF, PB) from Southeast Asian countries. Further, the raw material prices (timber and crude oil-based chemicals) are inherently volatile, which has resulted in a dip in OPM to 13.7% in FY2024 from 16.1% in FY2023 and further to 10.6% in 9M FY2025. Nonetheless, ICRA expects the operating margins to improve to 12-13% in FY2026, backed by expected improvement in realisation and better absorption of fixed costs. The profitability of the company remains exposed to forex risks, given the sizeable import of raw materials. However, the company hedges its forex exposure, as and when required, which mitigates the risk to an extent.

Ramp-up of new units remains critical for sustenance of ROCE at healthy levels – CPIL is exposed to the post-implementation risks related to the ramp-up and stabilisation of the new laminate and MDF plants. The greenfield laminate and MDF plants started commercial operations in Q1 FY2025 and the PB plant is expected to commence operations in Q1 FY2026. With the current high proportion of imports and lumpy capacity addition by other leading wood panel players in India, CPIL faces offtake risks for its newly commissioned MDF plant and upcoming PB plant. The ramp-up of these capacities would remain critical for sustaining ROCE at healthy levels.

Working capital-intensive business – CPIL has working capital-intensive operations, with working capital intensity at 18% in FY2024, attributed to high inventory requirements for various products. Given the company's diverse set of manufacturing products in plywood, laminates, MDF and PB segments, it necessitates stocking a large volume of raw materials and finished goods to cater to the demand.

Environmental and social risks

Environmental considerations: The manufacturing of wooden panel products involves substantial use of timber and wooden logs, primarily procured from timber plantations, with some dependence on imported forest wood. CPIL also emits formaldehyde during manufacturing and relies on fossil fuels for energy consumption. Increasing regulatory requirements to reduce greenhouse gas emissions and stricter air pollution standards may lead to higher costs for CPIL. The company's profitability and cash flows could be under pressure if it is unable to fully pass on the increased compliance costs to customers. In FY2024, CPIL derived 15% of its electricity requirements from renewable energy.

Social considerations: The social risks relate to the safety of employees involved in the manufacturing and transportation of wood panel products, and CPIL has invested in mechanisation to enhance physical safety.

Liquidity position: Adequate

CPIL's liquidity profile is adequate, supported by cash and liquid investments of Rs. 29.8 crore as of December 2024, on a consolidated basis. Additionally, the company has working capital lines of Rs. 475.0 crore, whose utilisation remains moderate at 66% of sanctioned limits for last 12 months ending December 2024. The company does not have major debt-funded capex plans in FY2026. CPIL has term loan repayments of Rs. 39.2 crore in FY2026, which can be comfortably met from estimated cash flow from operations.

Rating sensitivities

Positive factors – ICRA could upgrade CPIL's long-term rating, if there is a significant ramp-up in the operations of the recently commissioned/upcoming capacities, improving the company's revenues and earnings on a sustained basis and maintaining strong debt coverage metrics.

Negative factors – Pressure on CPIL's ratings could arise, if a significant decline in revenues and earnings or any major debt-funded capital expenditure/inorganic growth undertaken by the company weakens the capital structure and debt coverage metrics. Specific credit metric that could lead to a rating downgrade includes total debt/OPBITDA higher than 1.5 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has consolidated the financials of the various Group entities (as mentioned in Annexure II), given the close business, financial and managerial linkages among them; the rating is therefore based on the consolidated financials of the parent company of the Group, Century Plyboards (India) Ltd.

About the company

Century Plyboards (India) Ltd was incorporated on January 5, 1982. The company manufactures and sells wood-based panel products which includes plywood, laminates, MDF and particle boards. It also operates a container freight station through its wholly-owned subsidiary in Kolkata, West Bengal. CPIL, at a consolidated level, has six plywood units with combined annual capacity of 3.4 lakh CBM (cubic metres), two laminate units with a capacity of 96.2 lakh units, two MDF units with a capacity of 6.3 lakh CBM and one PB unit with annual capacity of 0.7 lakh CBM. The company has set up a new PB plant in Chennai with an installed capacity of 2.4 lakh CBM per annum and this is expected to commence operations from Q1 FY2026.

Key financial indicators (audited)

CPIL (Consolidated)	FY2023	FY2024	9M FY2025*
Operating income	3,648.7	3,886.6	3,329.5
PAT	384.1	325.3	132.9
OPBDIT/OI	16.1%	13.7%	10.6%
PAT/OI	10.5%	8.4%	4.0%
Total outside liabilities/Tangible net worth (times)	0.4	0.6	
Total debt/OPBDIT (times)	0.6	1.4	
Interest coverage (times)	34.6	17.3	

*Source: Company, ICRA Research; *Provisional numbers; All ratios as per ICRA's calculations; Amounts in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025		Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Mar 31, 2025	Oct 10, 2024	Jan 12, 2024	Oct 31, 2022	September 30, 2021
1	Cash credit	Long term	400.0	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
2	Term loan	Long term	100.0	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)
3	Non-fund Based limits	Short-term	360.0	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4	Fund based /Non-fund based - Others	Long term	200.0	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-
5	Proposed Fund-based limits- Cash credit	Long term	80.0	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	-	-
6	Proposed Non-fund-based limits	Short-term	70.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund Based Limits- Term Loan	Simple
Fund Based Limits- Cash credit	Simple
Non-Fund Based limits	Very simple
Long term - Fund based / Non-fund based - Others	Simple
Long Term-Proposed Fund-based limits- Cash credit	Simple
Short Term-Proposed Non-fund-based limits	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit	NA	NA	NA	400.00	[ICRA]AA (Stable)
NA	Term loan	FY2024	-	FY2032	100.00	[ICRA]AA (Stable)
NA	Non-fund Based Limits	NA	NA	NA	360.00	[ICRA]A1+
NA	Fund based / non-fund based – Others	NA	NA	NA	200.00	[ICRA]AA (Stable)
NA	Proposed Fund-based limits-Cash credit	NA	NA	NA	80.00	[ICRA]AA (Stable)
NA	Proposed Non-fund-based Limits	NA	NA	NA	70.00	[ICRA]A1+

Source: Company

[*Please click here to view details of lender-wise facilities rated by ICRA*]

Annexure II: List of entities considered for consolidated analysis

Company Name	CPIL Ownership	Consolidation Approach
Adonis Vyapar Private Limited	80.00%	Full Consolidation
Apnapan Viniyog Private Limited	80.00%	Full Consolidation
Ara Suppliers Private Limited	80.00%	Full Consolidation
Arham Sales Private Limited	80.00%	Full Consolidation
Asis Plywood Limited (Step-down)	100.00%	Full Consolidation
Auro Sundram Ply & Door Pvt Limited	51.00%	Full Consolidation
Century Adhesives & Chemicals Ltd. (Step-down)	100.00%	Full Consolidation
Century Gabon SUARL	100.00%	Full Consolidation
Century Huesoulin Plywood Lao Co. Limited (Step-down)*	51.00%	Full Consolidation
Century Infotech Limited	99.99%	Full Consolidation
Century Infra Limited	100.00%	Full Consolidation
Century MDF Limited	100.00%	Full Consolidation
Century Panels Limited	100.00%	Full Consolidation
Century Ply Laos Co. Limited (Step-down)*	90.00%	Full Consolidation
Century Ply Singapore Pte Limited*	90.68%	Full Consolidation
Century Ports Ltd	100.00%	Full Consolidation
Pacific Plywood Pvt. Ltd.	100.00%	Full Consolidation
Centuryply Furniture Fittings Limited #	100.00%	Full Consolidation

*Source: Company data, ICRA Research; *subsidiaries/ step sown subsidiaries till 22nd April 2024 #Wholly owned subsidiary w.e.f. 18th February 2025*

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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