Century Plyboards (India) Limited
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Cin No : L20101WB1982PLC034435

June 23, 2020

BSE Ltd. Phiroze Jeejeebhoy Towers Dalal Street Mumbai- 400 001 **Scrip Code: 532548**	National Stock Exchange of India Ltd. Exchange Plaza, Bandra Kurla Complex, Bandra (E) Mumbai- 400 051 **Scrip Name- Centuryply**

Dear Sir / Madam,

Sub.: Unilateral/ unethical action by CRISIL

We wish to bring to your notice that CRISIL, vide its rating rationale dated 19th June, 2020 had revised the ratings of our Company and highlighted the same on its website. The same has been done unilaterally by them and without any mandate from the Company. The credit rating mandate given to them was withdrawn long back in May 2015 itself and the same has their acceptance too. Thereafter, they have never been appointed by our Company for any credit rating surveillance.

An objection has been raised by the Company asking CRISIL to immediately withdraw our Company's Credit Rating from their website.

Further, we have valid rating mandate only with ICRA and their latest Rating Rationale is enclosed herewith.

This is for your information and record.

Thanking you,
Yours faithfully,
For Century Plyboards (India) Ltd.

Sundeep Jhunjhunwala
Digitally signed by Sundeep Jhunjhunwala
Date: 2020.06.23 11:47:46 +05'30'

Company Secretary

Encl.: a/a

January 20, 2020

Century Plyboards (India) Ltd: Ratings Reaffirmed at [ICRA]AA-/[ICRA]A1+; outlook revised to Positive

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action[1]
CP Programme[2]	100.00	100.00	[ICRA]A1+; Reaffirmed
Fund Based Limits- TL	368.20	82.25	[ICRA]AA- Reaffirmed; outlook revised to positive from stable
Fund Based Limits- Cash Credit	350.00	390.00	[ICRA]AA- Reaffirmed; outlook revised to positive from stable
Non-Fund Based Limits	540.00	371.00	[ICRA]A1+; Reaffirmed
Unallocated Bank lines	48.65	-	-
Total Limits	**1406.85**	**943.25**	

**Instrument details are provided in Annexure-1*

Rationale

The revision in the outlook factors in the company's improved performance in the first half of FY2020, which is expected to sustain in the second half as well, leading to an improvement in profitability and healthy debt metrics and return indicators in FY2020. In H1 FY2020, CPIL's consolidated operating profit margin (OPM) improved by 150 bps to reach 15.2% on the back of improved capacity utilisation of the medium density fibre (MDF) plant coupled with subsiding of cost pressure and a significant increase in volume in the laminate division. The consolidated interest coverage and Total Debt/OPBDITA also improved to around 8.70 times and 1.28 times, respectively in H1 FY2020 compared to 6.70 times and 1.70 times, respectively in FY2019. ICRA also notes that the company is in the process of deleveraging by pre-paying its debt, given the healthy cash accruals, which is likely to further improve the debt coverage indicators, going forward. The ratings continue to derive comfort from CPIL's strong business risk profile, driven by its dominant position in the plywood industry having a large product portfolio with multiple brands positioned across the entire price spectrum. The product profile is further diversified with the commissioning of the MDF and particle board plants in the last 2-3 years. The manufacturing units are also strategically located in various regions of the country, which together with strong raw-material linkages further support the operating profile of the company. The ratings also incorporate CPIL's wide distribution network and its brand strength, which helped the company achieve a compounded annual growth rate (CAGR) of around 12% in the last five years despite strong competition from the unorganised sector. The ratings continue to consider more than three decades of experience of the promoters in the plywood and laminate industry. The above strengths are partially offset by the intense competition from a large number of unorganised and organised players in the plywood industry. ICRA also notes that the company's operations remain working capital intensive and it is exposed to fluctuations in exchange rates, given a sizeable import of raw materials and some amount of foreign currency debt in its books. The company, however, has mitigated the impact of forex fluctuations by hedging its exposure to an extent. ICRA also notes that CPIL has plans to undertake capital expenditure (capex) for setting up another MDF plant in Uttar

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

[2] *While assigning the rating, ICRA notes that the proceeds from the rated CP Programme are intended to be utilized for funding the working capital requirements, as per the objects of the issue. A deviation from the above that has the effect of exerting pressure on the asset-liability position of the company would be a rating sensitivity.*

Pradesh. However, it is at a very nascent stage as of now and the total capex and the funding pattern have not yet been finalised. While some amount of debt funding is likely, given the healthy cash accruals, ICRA does not foresee any significant deterioration in the capital structure and debt coverage indicators of the company, going forward.

Key rating drivers and their description

Credit strengths

Improvement in performance in H1 FY2020; capital structure and debt servicing indicators continued to remain healthy – The OI of the company has shown healthy growth in FY2019, primarily aided by the commencement of MDF operations. In H1 FY2020, the operating income has further grown by around 7% to Rs. 1,182 crore compared to around Rs. 1,109 crore in the corresponding period of the previous fiscal. Although the operating profit margin (OPM) declined in FY2019, the same improved in H1 FY2020 by 150 bps to reach 15.2% on the back of improved capacity utilisation of the MDF plant coupled with a significant increase in volume in the laminate division and some softening of input prices. The consolidated interest coverage and Total Debt/OPBDITA also improved to around 8.70 times and 1.28 times, respectively in H1 FY2020 compared to 6.70 times and 1.70 times, respectively in FY2019. ICRA expects the improvement to sustain in the second half as well. Further, the company has prepaid term loans taken for the MDF project through healthy cash accruals, which are likely to further improve the debt coverage indicators, going forward.

Leading manufacturer of plywood – The Indian plywood industry is dominated by unorganised players, which account for around 70% of the total plywood market. However, CPIL commands around 25% market share within the organised segment. The product profile is further diversified with the commissioning of MDF and particle board plants in the last 2-3 years.

Wide distribution network and an established brand name strengthen CPIL's operating profile – The established brand name of 'Century' helps the company command higher prices. CPIL has an extensive network of 2,100 dealers and 25,000 retailers across India, which coupled with its brand strength, has helped the company achieve a CAGR of around 12% in the last five years despite strong competition from the unorganised sector.

Strategic location of all the manufacturing units with strong raw material linkage – The plywood plants are strategically located near the sources of raw materials (i.e. West Bengal, Gujarat, Haryana, Chennai and Assam) and are adjacent to ports. This ensures adequate availability of raw materials. CPIL also has backward integrated units in Myanmar (Veneer plant) and Laos (Veneer plant) and is in the process of setting up the veneer plant in Gabon to ensure raw material availability.

Experienced promoters and management team with successful track record of delivering stable performance – Incorporated in 1982, CPIL has established itself as a renowned brand in the veneers, plywood and laminates industry. The company offers a wide range of products in various segments like commercial, decorative, plywood, laminate, particle board and MDF. CPIL offers products across different price points, which enable it to cater to a broader customer base. Within the organised sector, CPIL remains one of the largest manufacturers of plywood in India. The company has started manufacturing particle board from July 2016 and MDF from October 2017, thus further diversifying the existing product range.

Credit challenges

Working capital intensive nature of business – CPIL's operations remain working capital (WC) intensive owing to high inventory requirement for various products and SKUs. The same is reflected by working capital intensity (net working capital/operating income (NWC/OI)) of around 25% in FY2019. However, the intensity has improved from around 29% in FY2018, primarily led by higher MDF volumes as the WC requirement is lower in MDF compared to plywood.

Highly fragmented nature of the plywood industry – The plywood market is primarily controlled by the unorganised sector, which accounts for around 70% of the total market size. Though, the 'Century' brand name commands premium prices, intense competition from a large number of unorganised and organised players restricts CPIL's pricing flexibility.

Exposed to currency fluctuation as a sizeable portion of raw materials is imported – The profitability of the company remains exposed to forex risks, given the sizeable import of raw materials and some amount of foreign currency debt on its books. However, the company hedges its forex exposure, which will mitigate the risk to an extent.

Large capital expenditure plans in the medium term, though at nascent stage at present – ICRA also notes that CPIL has plans to undertake capital expenditure (capex) for setting up another MDF plant in Uttar Pradesh. The company has already received the licence in the state. However, at present, the project is at the nascent stage as the company is still in the process of identifying suitable land site for the project. The total capex and the funding pattern have not yet been finalised. While some amount of debt funding is likely, given the healthy cash accruals, ICRA does not foresee any significant deterioration in the capital structure and debt coverage indicators of the company, going forward.

Liquidity position: Strong

CPIL's liquidity is **strong** with healthy cash flow from operations of nearly Rs. 225 crore in FY2019. The cash flows are expected to remain healthy in the current year as well. The capex commitment in the current year is minimal at around Rs. 35-40 crore (entirely through internal accruals). The company has prepaid the term loan as well as buyer's credit taken for the MDF project, in the current year. The working capital utilisation has remained moderate at around 40-45%.

Going forward, with healthy cash accruals and limited debt repayment, the liquidity position will continue to remain healthy. Even if the company undertakes the MDF project, the liquidity position is expected to remain comfortable, given the healthy cash accruals.

Rating sensitivities

Positive triggers – ICRA may upgrade CPIL's rating if the consolidated RoCE remains above 20% on a sustained basis, given the fragmented nature of the industry. Also, the debt service indicators- consolidated interest coverage remains over 10 times and net debt to OPBDITA remains less than 1 on a sustained basis.

Negative triggers – The ratings may be downgraded if there is any major debt-funded capital expenditure / inorganic growth undertaken by the company, which leads to a weakening of the capital structure with consolidated net debt to OPBITDA increasing to over 1.5 times.

Analytical approach

Analytical Approach	**Comments**
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation/Standalone	The ratings are based on CPIL's consolidated financial profile. As on March 31, 2019, CPIL had ten subsidiaries and two step-down subsidiaries, enlisted in Annexure 2.

About the company

CPIL was incorporated in January 1982 by Mr. Sajjan Bhajanka and Mr. Sanjay Agarwal. The company manufactures plywood, veneer, laminates, medium density fibre (MDF), particle board and allied products. The installed capacity of the plywood is 2,39,000 cubic metre (CBM). CPIL's plywood manufacturing units are located in Joka (West Bengal), Guwahati

(Assam), Kandla (Gujarat), Chennai (Tamil Nadu), Karnal (Haryana), Roorkee (Uttarakhand), Myanmar and Laos. The Roorkee, Myanmar and Laos units operate through subsidiaries. In addition, the company operates two container freight stations in Kolkata. CPIL had set up an MDF board unit at Hoshiarpur, Punjab, which commenced production in October 2017.

Key financial indicators - Consolidated (audited)

	FY2018	FY2019	H1 FY2020*
Operating Income (Rs. crore)	2023.94	2280.39	1181.75
PAT (Rs. crore)	166.14	148.87	88.64
OPBDIT/OI (%)	16.47%	13.70%	15.2%
RoCE (%)	21.29%	17.71%	-
Total Outside Liabilities/Tangible Net Worth (times)	0.96	0.82	-
Total Debt/OPBDIT (times)	1.73	1.70	1.28
Interest Coverage (times)	9.30	6.65	8.70
DSCR	3.61	2.99	-

**H1 FY2020 numbers are unaudited*

Status of non-cooperation with previous CRA

CRA	Status of Non-Cooperation	Date of Press Release
CRISIL	CRISIL continued its rating on bank facilities of CPIL at 'CRISIL A / Stable Issuer Not Cooperating' on account of inadequate information and lack of management cooperation.	April 30, 2019

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2020)				Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding	Rating	FY2019	FY2018	FY2017
					20-Jan-2020	07-Dec-2018	04-Oct-2017	19-Oct-2016
1	Cash Credit	Long Term	390.00	44.72	[ICRA]AA- (Positive)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
2	Term Loan	Long Term	82.25	82.25	[ICRA]AA- (Positive)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)	[ICRA]AA- (Stable)
3	Non-fund Based Limits	Short Term	371.00	85.47	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+
4	Commercial Paper	Short Term	100.00	100.00	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-
5	Unallocated limits	Long-term/Short term	-	-	-	[ICRA]AA- (Stable)/[ICRA]A1+	-	-

Amount in Rs. crore

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	~8.0%	NA	390.00	[ICRA]AA-(Positive)
NA	Term Loan	FY2015-18	Libor linked	FY2022-23	82.25	[ICRA]AA-(Positive)
NA	Non-fund Based Limits	NA	NA	NA	371.00	[ICRA]A1+
NA	Commercial Paper	NA	NA	90 days	100.00	[ICRA]A1+

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Auro Sundram Ply & Door Pvt Ltd	51.00%	Full Consolidation
Century MDF Ltd	100.00%	Full Consolidation
Ara Suppliers Pvt.Ltd	80.00%	Full Consolidation
Century Ply Singapore Pte Ltd	90.60%	Full Consolidation
Century Ply Laos Co Ltd (Step-down)	90.00%	Full Consolidation
Century Huesoulin Plywood Lao Co Ltd (Step-down)	51.00%	Full Consolidation
Arham Sales Pvt Ltd	80.00%	Full Consolidation
Adonis Vyapar Pvt Ltd	80.00%	Full Consolidation
Centuryply Myanmar Pvt Ltd	100.00%	Full Consolidation
Apnapan Viniyog Pvt Ltd	80.00%	Full Consolidation
Century Infotech Ltd	60.06%	Full Consolidation
Century Gabon SUARL	100.00%	Full Consolidation

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About ICRA Limited:

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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

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