Century Plyboards (India) Limited
Century House,
P 15/1, Taratala Road, Kolkata - 700088
• P: (033) - 3940 3950 • F: (033) - 2248 3539
kolkata@centuryply.com • www.centuryply.com
Cin No : L20101WB1982PLC034435

CENTURYPLY®

Date: 2nd November, 2022

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

**Dear Sir(s)/ Madam(s)**

**Sub: Intimation regarding Credit Rating in terms of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

We write to inform you that ICRA Limited has reaffirmed [ICRA] A1+ (pronounced ICRA A one plus) rating for the Company in respect of short term credit facilities and [ICRA] AA (Stable) (pronounced ICRA double A) in respect of long term credit facilities.

A copy of the aforesaid letter is enclosed herewith for your information and record.

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

Sundeep Jhunjhunwala

Digitally signed by Sundeep Jhunjhunwala
Date: 2022.11.02 18:30:53 +05'30'

**Company Secretary**

October 31, 2022

# Century Plyboards (India) Ltd: Ratings reaffirmed

## Summary of rating action

| Instrument* | Previous Rated Amount (Rs. crore) | Current Rated Amount (Rs. crore) | Rating Action |
|---|---|---|---|
| **Fund-based limits- TL** | **50.00** | **15.00** | [ICRA]AA(Stable); reaffirmed |
| **Fund-based limits- Cash Credit** | **150.00** | **145.00** | [ICRA]AA(Stable); reaffirmed |
| **Non-fund based Limits** | **300.00** | **280.00** | [ICRA]A1+; Reaffirmed |
| **Total** | **500.00** | **440.00** | |

**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 subsidiaries including Century Panels Limited (CPL), given the strong business and financial linkages, collectively referred as CPIL.

The ratings reaffirmation factors in CPIL's strong business and financial risk profile. CPIL has a dominant position in the plywood industry (25% market share within the organised segment), a large product portfolio across the price spectrum, a wide distribution network of more than 2,700 dealers and 19,100 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 cost. CPIL's financial profile is expected to remain strong backed by revenue growth of 13-14%, healthy operating profits and strong debt protection metrics in FY2023. While its operating margins moderated in Q1 FY2023 to 16.1% (17.7% in FY2022) owing to increase in input costs and front loading of selling expenses, the margins are expected to increase from these levels for full year, FY2023, supported by the price hikes implemented by the company (though with a lag) and better absorption of overheads. Despite large capex plans of Rs. 1000-1100 crore in FY2023-FY2025, the reliance on debt is likely to be limited, aiding in strong debt protection metrics during this period. The ratings consider the favourable growth prospects across product categories supported by healthy demand from real estate, ready-made furniture and increased spend on interior works in residential dwelling units. The ratings continue to consider the vast experience of the promotors spanning more than three decades in the plywood and allied products industry.

The ratings are, however, constrained by CPIL's exposure to the inherent project implementation risk for capex with respect to risk of time and cost overruns, and post implementation risk related to ramp-up and stabilization of the new plant. CPIL has large capex plans of around Rs. 1000-1100 crore over FY2023-2025 with major portion towards setting up of greenfield MDF plant and laminates plant in its subsidiary of Century Panels Limited (CPL) in Andhra Pradesh. The company's ongoing expansion plans towards MDF (in Punjab) are expected to commence in H2 FY2023. While the domestic MDF industry is primarily an organized segment, the planned capacity expansions in the industry in the near to medium term is likely to result in an increase in supply by more than 50% when compared to current levels and lead to pricing pressure. While the higher shipping costs and raw material price hikes made domestic MDF cost competitive when compared to imports (historically, imports accounted for a sizeable share in South India), the threat from cheaper imports remains in the near to medium term. The ramp up of the upcoming capacities would remain critical for sustaining its 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. ICRA also notes the intense competition in the plywood industry from many unorganized and organized players, which restricts CPIL's pricing flexibility.

The Stable outlook on the [ICRA]AA rating reflects that CPIL will continue to benefit from its strong business profile in the domestic market, generate healthy cash accruals from the business as well as maintain a strong liquidity position.

## Key Rating drivers and their description

### Credit strengths

**Strong financial risk profile –** CPIL's revenues are likely to increase by 13-14% in FY2023 supported by healthy demand from end user industries. While the operating margins moderated in Q1 FY2023 to 16.1% (17.7% in FY2022 and 17.8% in Q4 FY2022) owing to increase in input costs and front loading of selling expenses, the margins are expected to increase from these levels in FY2023, backed by price hikes taken by the company (though with a lag) and better absorption of overheads. Despite huge capex plans, the reliance on debt is likely to be limited, aiding in strong debt protection metrics in FY2023. CIPL's revenues significantly increased by 42% in FY2022 to Rs. 3030.4 crore driven by increase in revenues across segments and operating margins improved by 190 bps to 17.7% in FY2022. Despite the entity being in capex phase, the significant increase in absolute profits and cash accruals improved the liquidity position which has supported for strong debt protection metrics in FY2022 – Total debt/OPBIDTA at 0.5 times, interest cover at 47.0 times and DSCR at 6.5 times.

**Healthy demand prospects likely to support near-to medium-term growth –** The growth across product categories is expected to be supported by healthy demand from the end user industries – real estate, ready-made furniture and increased spend on interior works in residential dwelling units.

**Established brand name, wide distribution network and strategic location of manufacturing units strengthen CPIL's operating profile –** The Indian plywood industry is dominated by unorganized players, which account for around 76% of the total plywood market. CPIL commands around 25% market share within the organised plywood segment. CPIL's strong business risk profile is driven by its dominant position in the plywood industry, a large product portfolio across the price spectrum, wide distribution network of more than 2,700 dealers and more than 19,100 retailers and sales touch points across India, and brand strength with premium pricing across products. Furthermore, the manufacturing plants are strategically located near the raw material sources (i.e., West Bengal, Gujarat, Haryana, Chennai and Assam), ensuring adequate availability of raw materials and lower freight cost. CPIL also has backward integrated units in Gabon for supply of veneer.

**Experienced promoters and management team with successful track record of delivering stable performance:** Incorporated in 1982, CPIL's promoters have extensive experience in the plywood and allied products industry which has helped in establishing CPIL 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 organized sector, CPIL remains one of the largest manufacturers of plywood in India.

### Credit challenges

**Project implementation risk associated with large capex, ramp up of new units would remain critical from sustenance of ROCE at healthy levels:** CPIL is exposed to inherent project implementation risk for capex with respect to risk of time and cost overruns and post implementation risk related to ramp-up and stabilization of new plant. CPIL has large capex plans of around Rs. 1000-1100 crore during FY2023-FY2025, with major portion towards setting up of a greenfield MDF plant (expected CoD: FY2024) in its subsidiary, Century Panels Limited and laminate plant (expected CoD: FY2025) in Andhra Pradesh. The company's ongoing expansion plans towards MDF (in Punjab) are expected to commence in H2 FY2023. While the domestic MDF industry is primarily an organized segment, the planned capacity expansions in the industry in the near to medium term is likely to result in an increase in supply by more than 100% when compared to current levels and lead to pricing pressure. While higher shipping costs and raw material price hikes made domestic MDF cost competitive when compared to imports (historically, imports accounted for a sizeable share in South India), the threats from cheaper imports remain in the near to medium term. The ramp up of the upcoming capacities would remain critical for sustaining ROCE at healthy levels.

**Working capital intensive business:** CPIL's has working capital intensive operations, with working capital intensity at 19% in FY2022, owing to high inventory requirement for various products. With the company manufacturing a wide range of products in plywood, laminates, MDF and particleboard segment, it needs to stock a large volume of raw material and finished goods to cater to the demand.

**Highly fragmented nature of the plywood industry; margins also exposed to currency fluctuation as a sizeable portion of raw materials is imported:** The unorganised sector accounts for a substantial part (around 76% of the total market size) of the plywood industry. Though, the Century brand name commands premium prices, intense competition from a large number of unorganised and organised players restricts CPIL's pricing flexibility. 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 as and when required, which mitigates the risk to an extent. Also, the export of laminate products provides a natural hedge to an extent.

## Environmental and Social Risks

Manufacturing of wooden panel products requires a substantial use of timber and wooden logs which are primarily procured from timber plantations while there is some dependence on forest wood, which is imported. CPIL also emits formaldehyde during manufacturing and consumes fuel with dependance on fossil fuels. Increasing regulatory requirements to reduce greenhouse gas emissions and stricter air pollution standards may lead to higher costs for CPIL. The profitability and cash flows could be under pressure if it is not able to fully pass on the higher compliance costs to the customers. CPIL is expected to derive 25% of electricity requirements from renewable energy in FY2023. The social risks relate to the safety of employees involved in the manufacturing and transportation of wood panel products and CPIL has made investments in mechanization to enhance physical safety.

## Liquidity position: Strong

CPIL's liquidity profile is strong backed by cash and liquid investments of around Rs. 282.0 crore as on September 23, 2022 on a consolidated basis. Additionally, the company's working-capital limit utilization remains moderate at 69% (of Rs. 145.0 crore) for last 12 months ending May 2022. The company has large capex plans of around Rs. ~1000-1100 crore in FY2023-FY2024, which is expected to be met largely through internal accruals.

## Rating sensitivities

**Positive factors –** ICRA could upgrade CPIL's rating if a significant ramp-up in the operations of the upcoming capacities improves the company's revenues and earnings on a sustained basis and ensures 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 on a sustained basis. Specific credit metric that could lead to a downgrade includes net debt to OPBITDA increasing to over 1.2 times.

## 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-2), 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

CPIL was incorporated in January 1982 by Mr. Sajjan Bhajanka and Mr. Sanjay Agarwal. It manufactures plywood, veneer, laminates, medium density fibre (MDF), particle board and allied products. The installed capacity of the plywood division is 3,00,000 cubic metres (CBM). CPIL's plywood manufacturing units are in Joka (West Bengal), Guwahati (Assam), Kandla (Gujarat), Chennai (Tamil Nadu), Karnal (Haryana), Roorkee (Uttarakhand), Myanmar and Gabon. The Roorkee, Myanmar and Gabon units operate through subsidiaries. In addition, the company operates two container freight stations in Kolkata.

## Key financial indicators (audited)

| CPIL (Consolidated) | FY2021 | FY2022 |
|---|---|---|
| **Operating income** | 2131.2 | 3030.4 |
| **PAT** | 191.2 | 313.2 |
| **OPBDIT/OI** | 15.8% | 17.7% |
| **PAT/OI** | 9.0% | 10.3% |
| **Total outside liabilities/Tangible net worth (times)** | 0.4 | 0.4 |
| **Total debt/OPBDIT (times)** | 0.5 | 0.5 |
| **Interest coverage (times)** | 26.3 | 47.0 |

*Source: Company Financial Statements*
*PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*
*Note: Amount in Rs crore*

## Status of non-cooperation with previous CRA: Not applicable

## Any other information: None

## Rating history for past three years

| | Instrument | Current Rating (FY2023) | | | | Chronology of Rating History for the past 3 Years | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Rated (Rs. crore) | Amount Outstanding as on Mar 31, 2022 (Rs. crore) | Date & Rating in FY2023 | Date & Rating in FY2022 | Date & Rating in FY2021 | Date & Rating in FY2020 |
| | | | | | Oct 31, 2022 | September 30, 2021 | July 31, 2020 | Jan 20, 2020 |
| **1** | Cash Credit | Long-term | 145.00 | - | **[ICRA]AA (Stable)** | **[ICRA]AA (Stable)** | **[ICRA]AA- (Stable)** | **[ICRA]AA- (Positive)** |
| **2** | Term Loan | Long-term | 15.00 | 24.47 | **[ICRA]AA (Stable)** | **[ICRA]AA (Stable)** | **[ICRA]AA- (Stable)** | **[ICRA]AA- (Positive)** |
| **3** | Non-fund Based Limits | Short-term | 280.00 | - | **[ICRA]A1+** | **[ICRA]A1+** | **[ICRA]A1+** | **[ICRA]A1+** |
| **4** | Commercial Paper | Short term | - | - | | | **[ICRA]A1+ withdrawn** | **[ICRA]A1+** |

## Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|---|---|
| Fund Based Limits- TL | Simple |
| Fund Based Limits- Cash Credit | Simple |
| 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: www.icra.in

## Annexure I: Instrument details

| ISIN | Instrument Name | Date of Issuance / Sanction | Coupon Rate | Maturity Date | Amount Rated (Rs. crore) | Current Rating and Outlook |
|---|---|---|---|---|---|---|
| NA | Cash Credit | - | - | - | 145.00 | [ICRA]AA (Stable) |
| NA | Term Loan | FY2015-18 | Libor linked | FY2023 | 15.00 | [ICRA]AA (Stable) |
| NA | Non-fund Based Limits | - | - | - | 280.00 | [ICRA]A1+ |

*Source: Company*

## Annexure II: List of entities considered for consolidated analysis

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

*Source: Annual report of CPIL*

*Note: ICRA has taken a consolidated view of the parent (CPIL), its subsidiaries, step subsidiaries, joint venture while assigning the rating including CPIL*

## ANALYST CONTACTS

**Rajeshwar Burla**
+91 40 4067 6527
rajeshwar.burla@icraindia.com

**Anupama Reddy**
+91 40 4067 6516
anupama.reddy@icraindia.com

**Mathew Kurian Eranat**
+91 80 4332 6415
mathew.eranat@icraindia.com

**D Mohammed Rabbani**
+91 40 4067 6532
d.rabbani@icraindia.com

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**
+91 80 4332 6401
jayantac@icraindia.com

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**
Tel: +91 124 4545 860
communications@icraindia.com

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

## 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

# ICRA Limited

## Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

## Branches