

Rating Rationale

Brickwork Ratings reaffirms 'BWR BBB/A3+' for the Bank Loan facilities aggregating ₹ 91.78 Cr of Archidply Industries Ltd

Brickwork Ratings (BWR) has reaffirmed the **Rating¹** at 'BWR BBB'(Outlook: Stable)/'A3+' for bank loan facilities aggregating ₹ 91.78 Cr of Archidply Industries Ltd ("AIL" or "the Company") as follows:

Facility	Previous (₹Cr)	Present (₹Cr)	Tenure	Rating History (March 2015)	Present Rating (March 2016)
Cash Credit (Fund Based)	52.00	52.00	Long Term	BWR BBB (BWR Triple B) (Outlook-Stable)	BWR BBB (BWR Triple B) (Outlook-Stable) (Reaffirmed)
Term Loan (Fund Based)	9.26	4.78*			
BG (Non -Fund Based)	4.00	4.00	Short Term	BWR A3+ (BWR A Three Plus)	BWR A3+ (BWR A Three Plus) (Reaffirmed)
FLC/ILC (Non -Fund Based)	31.00	31.00			
Total	96.26	91.78	(INR Ninety One Crores & Seventy Eight Lakhs only)		

*Term Loans outstanding as on 26th Feb 2016

BWR has principally relied upon the audited financial results up to FY15, unaudited financial results for 9MFY16, publicly available information and information/clarifications provided by the management.

The rating continues to draw strength from the extensive industry experience of the promoters, long standing relationships with customers and suppliers, established market position, consistent growth in turnover and moderate gearing and net worth. However, the ratings are constrained by the average financial risk profile marked by high inventory and receivables, stretched working capital cycle and low profitability, cessation of the go-to-market strategy, intense market competition and the fragmented and cyclical nature of the industry in which the company operates.

Background:

Archidply Industries Ltd, established in 1995 at Bangalore, is engaged in manufacturing wood panel products and decorative surfacing products. AIL is listed on BSE & NSE. The product range includes Plywood, Block Board and Flush Doors, Pre laminated particle board, Decorative Laminates and Decorative Veneers, sold under brand names of Archid, Archid Gold, Silvi & Archid Classic. The manufacturing facilities of the company are located in Chintamani (Karnataka) and in Rudrapur (Uttarakhand). The company has a network of over 600

¹ Please refer to www.brickworkratings.com for definition of the Ratings

authorized dealers who in turn supply to more than 2,000 sub dealers / retailers, giving a pan India presence for marketing of its products. The products of the company comply with quality standards of BIS and International standards of BS of UK, NEMA of USA and DIN of Germany. AIL has also received Eco Mark certification from Bureau of Indian Standards (BIS). The company is a member of Indian Green Building Council (IGBC).

The Company has set up a new manufacturing unit under the name “Wartayar Veneer Industries Private Limited” in the Republic of the Union of Myanmar along with its associate companies/entities. It is involved in the manufacturing of Commercial Face Veneer, Core Veneer, Sawn Timber, Teak Veneer & Plywood.

Management:

Mr. Deendayal Daga is the Executive Chairman. He has an experience of over 38 years in managing wood based industries. Mr. Shyam Daga and Mr. Rajiv Daga, sons of Mr. Deendayal Daga, are the Managing Director and Joint Managing Director of the Company. Mr. M S Aftab, Mr. B H Rathi and Mrs. S V Mallar are the Independent Directors in the company.

Financial Performance:

Net sales of the Company increased from ₹ 225.64 Crores in FY14 to ₹ 259.29 Crores in FY15. PAT improved from ₹ 4.01 Crores in FY14 to ₹ 5.56 Crores in FY15. On a provisional basis, for 9MFY16, the Company has achieved net sales of ₹ 207.93 Crores.

Rating Outlook:

The rating outlook is expected to be stable over the current year. The Company has a strong market presence across India and well established marketing network. Going forward, the Company’s ability to improve the revenue and profitability levels, maintain a favorable capital structure and ensure efficient working capital utilization will be the key rating sensitivity factors.

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