

Rating Rationale

Brickwork Ratings assigns ‘BWR BBB-’ & ‘BWR A3’ for the Bank Loan facilities aggregating ₹ 93.73 Cr of Archidply Industries Ltd.

Brickwork Ratings has assigned the following **Ratings**¹ for the Bank Loan facilities of Archidply Industries Ltd (*AIL or ‘the company’*)

Facility	Limits (₹ Cr)	Tenure	Ratings
Cash Credit (Fund Based)	42.00	Long Term	BWR BBB- (BWR Triple B Minus) (Outlook-Stable)
Term Loan (Fund Based)	15.68		
BD (Fund Based)	1.00	Short Term	BWR A3 (BWR A Three)
BG (Non -Fund Based)	4.05		
LC/FLC/ILC (Non -Fund Based)	31.00		
Total	93.73	(INR Ninety Three Crores & Seventy Three Lakhs only)	

** Details of the bank facilities and sublimit are listed in Annexure I*

BWR has principally relied upon the audited financial results up to FY13, provisional financial performance for 9MFY14, projected financials up to FY15 of Archidply Industries Ltd, publicly available information and information/clarifications provided by the company’s management.

The ratings reflect the extensive industry experience of the promoters, consistent growth in turnover, moderate networth, long standing relationships with customers and suppliers, established market position and strong marketing network. However, the ratings are constrained by the moderate financial risk profile marked by high inventory levels, stretched working capital cycle and volatile profitability, risks related to fluctuation in forex rates, intense market competition and the fragmented and cyclical nature of the industry in which the company operates.

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

Background:

Archidply Industries Limited, incorporated in 1995 at Bangalore, is engaged in manufacturing wood panel products and decorative surfacing products. The product range includes Plywood, Block Board and Flush Doors, Pre laminated particle board, Decorative Laminates and Decorative Veneers. The manufacturing facilities of the company are located in Chintamani (Karnataka) and in Rudrapur (Uttarakhand). Out of the manpower of around 600, almost 250 people are deployed for marketing. The company has a large distribution network and operates through 20 marketing/ representative offices and 61 distributors and stockists. The company has a network of over 600 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).

Management:

Mr. Deendayal Daga is the Executive Chairman. He has an experience of over 37 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. Shyam Daga is a commerce graduate from St. Xavier's, Kolkata University. He is the Secretary of All India particle board Manufacturer Association. Mr. Rajiv Daga has done his Bachelors in Industrial Engineering from Purdue University, USA. He is presently a committee member of South India Plywood Manufacturers Association. Mr. M S Aftab, Mr. B H Rathi and Mr. K K Taparia are the Independent Directors in the company.

As of March 31st 2013, Mr. Deendayal Daga has 5.91% shareholding in the company, Mr. Shyam Daga hold 5.64%, Assam Timber Products Pvt. Ltd (Group Concern), Vanraj Suppliers Pvt. Ltd (Group Concern) and Ravi Marketing services (Group Concern) have 19.40%, 17.25% & 12.74% shareholding respectively.

Financial Performance:

Net sales of the company increased from ₹ 170.67 Cr in FY12 to ₹ 201.12 Cr in FY13. EBIDTA improved from ₹ (3.49) Cr in FY12 to ₹ 12.97 Cr in FY13 and PAT improved from ₹ 0.91 Cr in FY12 to ₹ 2.06 Cr in FY13. Long-Term Borrowings reduced to ₹ 10.37 Cr in FY13 from ₹ 11.64 Cr in FY12. On a provisional basis, till 31st Dec 2013, the company has achieved net sales of ₹ 161.77 Cr.

Rating Outlook:

The outlook of the company remains stable presently. The company has a strong market presence across India and well established marketing network. In FY14, the company has also realigned its go-to-market strategy with increased focus on improving the product delivery period, quality and sales. Going forward, the company's ability to meet the projected revenue and profitability levels, maintain a favorable capital structure, implement effective forex hedging policies and ensure efficient working capital utilization will be the key rating sensitivity factors.

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Archidply Industries Ltd

Annexure I

Name of the Bank	Facility	Limits in Amt (₹ Cr)	Rating Amount (₹ Cr)
State Bank of India	Cash Credit	12.00	12.00
	Term Loan 1	10.83	8.09*
	Term Loan 2	2.99	1.95*
	BG	0.05	0.05
	Letter of Credit	16.00#	16.00
Vijaya Bank	Cash Credit	30.00	30.00
	Term Loan	6.64	5.64**
	BD	1.00	1.00
	BG	4.00	4.00
	FLC/ILC	15.00	15.00
Total		98.51	93.73

Note: #One way interchangeability from LC to CC to the extent of ₹ 4.00 Cr

*Outstanding Amount (Cr.) (As. On 24/02/14)

**Outstanding Amount (Cr.) (As. On 31/01/14)