

Rating Rationale

Brickwork Ratings revises ratings to ‘BWR BBB’ & ‘BWR A3+’ for the Bank Loan facilities aggregating ₹ 96.26 Crs (enhanced from ₹ 93.73 Crs) of Archidply Industries Ltd.

Brickwork Ratings (BWR) has revised the **Ratings¹** to ‘BWR BBB’(Outlook: Stable)/‘A3+’ for bank loan facilities aggregating ₹ 96.26 Crs (enhanced from ₹ 93.73 Crs) of Archidply Industries Ltd (“AIL” or “the Company”) as follows:

Facility	Previous (₹ Cr)	Present (₹ Cr)	Tenure	Ratings	Rating History
Cash Credit (Fund Based)	42.00	52.00	Long Term	BWR BBB (<i>BWR Triple B</i>) (Outlook- Stable) Upgraded	BWR BBB- (<i>BWR Triple B Minus</i>) (Outlook-Stable) (March 2014)
Term Loan (Fund Based)	15.68	9.26			
BD (Fund Based)	1.00	-	Short Term	BWR A3+ (<i>BWR A Three Plus</i>) Upgraded	BWR A3 (<i>BWR A Three</i>) (March 2014)
BG (Non -Fund Based)	4.05	4.00			
FLC/ILC (Non -Fund Based)	31.00	31.00			
Total	93.73	96.26	INR Ninety Six Crores and Twenty Six Lakhs only		

BWR has principally relied upon the audited financial results up to FY14, provisional financial performance for 9MFY15, projected financials up to FY16 of Archidply Industries Ltd, publicly available information and information/clarifications provided by the company’s management.

The rating revision factors improvement in scale of operations and financial performance. The ratings continues to factors the extensive industry experience of the promoters, consistent growth in turnover, moderate network, 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 and receivables, stretched working capital cycle and low 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 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 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. 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 ₹ 201.12 Crores in FY13 to ₹ 225.64 Crores in FY14. PAT improved from ₹ 2.06 Crores in FY13 to ₹ 4.01 Crores in FY14. On a provisional basis, till 31st Dec 2014, the Company has achieved net sales of ₹ 191.86 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 substantially improve the 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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