

Rating Rationale

Brickwork Ratings assigns 'BWR B' and 'BWR A4' for the Bank Loan Facilities of ₹ 27.00 Crores of Arjun Ply and Veneers Private Limited

Brickwork Ratings (BWR) has assigned the following **Ratings**¹for the Bank Loan facilities of ₹ 27.00 Crores of Arjun Ply and Veneers Private Limited ('APVPL' or 'the Company') sanctioned by Corporation Bank.

Facility	Limits (₹Cr)	Tenure	Rating
Fund Based : Cash Credit	12.00	Long Term	BWR B (Pronounced as BWR Single B) (Outlook:Stable)
Non-Fund Based Inland/Import LC-cum- Buyers Credit / LOC	15.00	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	27.00	(INR Twenty Seven Crores Only)	

BWR has principally relied upon the audited financial results for FY13-FY15 and projections up to FY17 for Arjun Ply and Veneers Private Limited, publicly available information and information / clarifications provided by the management.

The rating factors, inter alia, the experience of the promoters for more than two decades in the plywood manufacturing & trading business, wholly owned subsidiary of Mayur Ply Industries Private Limited, Pan India presence of the Parent Company, strong presence in South India, extensive distribution network & marketing support from the parent Company and low gearing ratio. Also, the promoter's ability to infuse capital as when required is also matter of comfort. The Rating is however constrained by relatively low scale of operations, high financial leverage, exposure to foreign exchange fluctuation risk, absence of proper hedging policy of the Company and existence of intense competition in the plywood industry.

Background:

Arun Ply & Veneers Private Limited was incorporated August 12, 1997, subsequently in 2008, the Company was taken over by Mayur Ply Industries Private Limited (MPIPL), with vision to cater the market of South India and to achieve pan India presence in the plywood sector. Now, the Company is wholly owned subsidiary of Mayur Ply Industries Private Limited. The Company is into manufacturing of plywood and core veneer and has capacity to manufacture ~12075 MT/Annum. The Company's corporate office and manufacturing unit are located Thurainallur village, Tamil Nadu. The Brand is "Mayur". The Company has ~500 direct dealers for distribution of products and also has more than ~6000 retail shops throughout the country. In addition to that, MPIPL has sales force of 200 personnel across the country create new markets for the products.

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

Group Background: The Company is a part of the large Industrial Group owned by More Family. The Group is one of the leading manufacturers of plywood and related products, with manufacturing facilities situated in Kolkata, Bhavnagar and Chennai. Mayur Plywood is one of the reputed brands in “Plywood & Allied Products” segment in the country.

Management Profile:

Mr. Prakash Kumar More and Mr. Mukesh Kumar More are directors; both have extensive experience in manufacturing & trading of plywood and related products for more than two decades. It is closely held with group of people who are all family members and friends but the Company has adequate number of professionals in key positions.

Financial Performance:

During FY15, APVPL has reported Net revenues from operations of ₹ 30.18 Crs and Net profit of ₹ 30.18 Crs, while the Net-worth stands at ₹ 10.23 Crs. The Company’s operating profit margin marginally increased to 3.74 per cent in FY15 from 3.42 per cent in FY14 and the net profit margin has decreased to 1.18 per cent in FY15 from 1.42 per cent in FY14. The current ratio is at 1.15 times for FY15.

Rating Outlook:

The outlook is expected to be stable for the current year. Going forward, the Company’s ability to improve scale of operations, achieve projected sales turnover and profits ability margin, maintain total outside liabilities to optimum level and efficiently managing working capital will be the key rating sensitivities.

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