



Rating Rationale

Ascan Plyboard (India) Pvt Ltd

8 Oct 2018

Brickwork Ratings reaffirms BWR BBB-(Stable)/A3 for the Bank Loan Facilities of ₹. 24 Crores of Ascan Plyboard (India) Pvt Ltd. (APIPL or ‘The Company’)

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Aug, 2017)	Present
<u>Fund based</u> Cash Credit	15.00	15.00	Long Term	BWR BBB- Outlook: Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable Reaffirmed
<u>Non Fund Based</u> Letter of Credit	9.00	9.00	Short Term	BWR A3	BWR A3 (Pronounced as BWR A Three) Reaffirmed
Total	24.00	24.00	INR Twenty Four Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Rating Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY17, provisional financials for FY18, publicly available information and information/clarifications provided by the management.

The rating has factored, inter alia, the group’s combined financial and operating performance marked by low gearing, experienced promoters, geographic diversification & long standing association with its customers

However, the rating continues to be constrained by low profitability margins, susceptibility of margins to fluctuations in raw material prices and high government regulations & presence in highly fragmented plywood sector with low entry barriers.

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Going forward, the ability of the company to increase its scale of operations profitably, manage susceptibility of raw material and volatile prices while managing its working capital efficiently are the key rating sensitivities.

Key Rating Drivers

Experienced Management: The company has two Directors who are highly experienced in the same line of business of plywood and timber products for over 2 decades through the associate concern. This experience of directors gives them the understanding and ability to sustain through business cycles.

Comfortable gearing ratio: The overall gearing ratio remains comfortable at 0.85 times as on 31st March 2017 as against 0.66 times as on 31st March 2016 on account of moderate net worth base. Also DSCR was at 1.11 times & ISCR was at 1.66 times as on 31st March 2017.

Thin profitability margins: Plywood trading business is characterized by high volumes and low margins. The profitability margins of the company continue to remain on the lower side owing to the trading nature of business wherein the value addition is inherently low and highly competitive nature of industry. OPBDIT & PAT margins stood at 2.31% & 0.71% for FY17.

Susceptibility to fluctuations in log prices and government regulations: APIPL imports plywood from Singapore, Malaysia, Myanmar etc, This exposes the company to adverse changes in government policies in these exporting countries. Further, APIPL is also exposed to fluctuations in raw material prices which has a direct impact on its profitability.

Presence in highly fragmented plywood sector with low entry barriers: Plywood trading sector is highly competitive, comprising a large number of players in the organized segment as a result of low entry barriers.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the APIPL's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Prakash Ply Exim Pvt Ltd was incorporated in 2005. In February 2017, the company's name changed to Ascan Plyboard Pvt Ltd. APIPL is engaged in trading of plywood, timber, veneer & blockboard. It has its registered office located at Kolkata, West Bengal. The company has well diversified network and long



standing association with dealers and customers. APIPL is geographically diversified and sells its products pan India. APIPL has one associate concern viz. Prakash Ply Centre Pvt Ltd which is also engaged in trading of plywood since 1993.

Mr. Satya Prakash Pandey and Mr. Ram Prakash Pandey are the Directors.

Financial Performance

APIPL reported Total Operating Revenue of Rs.121.20 Crs and Net Profit of Rs 0.87 Cr for FY17 as against Total Operating Revenue of Rs. 107.28 Crs. and Net Profit of Rs.1.09 Cr for FY 16. On a provisional basis, the company achieved a turnover of Rs. 121.90 Crs in FY18. Tangible Net Worth was Rs 23.06 Crs and Total debt was Rs.19.55 Crs as on March 31 2017. Current ratio was 1.38 times as on March 31 2017

The key financial indicators are summarized in Annexure II

Rating History for the last three years

Instrument /Facility	Current Rating (Oct 2018)			Rating History		
	Type	Amount (₹ Crs)	Rating	Aug 2017	May 2016	Feb 2015
Fund Based Cash Credit	Long Term	15.00	BWR BBB- (Outlook: Stable) Reaffirmed	BWR BBB- (Outlook: Stable) Reaffirmed	BWR BBB- (Outlook: Stable) Reaffirmed	BWR BBB- (Outlook: Stable) Upgraded
Non Fund Based Letter of Credit	Short Term	9.00	BWR A3 Reaffirmed	BWR A3 Reaffirmed	BWR A3 Reaffirmed	BWR A3 Upgraded
Total		24.00	₹ Twenty Four Crores Only			

Status of non-cooperation with previous CRA (if applicable)- NA

Any other information

Annexure I

Bank Facilities Details- SBI Bank, Kolkata, West Bengal

Facilities**	Type	Total
Cash Credit	Fund Based	15.00
Letter of Credit	Fund Based	9.00
Total		24.00

Annexure II
Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	Rs. in Crs	121.20	107.28
EBITDA	Rs. in Crs	2.80	3.02
PAT	Rs. in Crs	0.87	1.09
Tangible Net worth	Rs. in Crs	23.06	22.19
Total Debt/Tangible Net worth	Times	0.85	0.66
Current Ratio	Times	1.38	1.40

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading entities](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.