

Rating Report

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 **Ratings¹** for 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.

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

In addition to that, MPIPL has sales force of 200 personnel across the country create new markets for the products.

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.

Credit Risk Determinants:

Promoters experience and Group Company Support

Promoters have extensive experience in manufacturing & trading of plywood and related products for more than two decades and it is a wholly owned subsidiary of Mayur Ply Industries Private Limited.

Financial leverage

For last few years, the Company’s total outside liabilities to tangible net worth are more than 2.50X, which indicates that the Company is dependent on supplier’s credit who are all supporting to manage regular operations.

Exposure to intense competition in Plywood industry

The plywood product industry in India is highly fragmented and intensely competitive, leading to low realizations and profitability for players. The existence of small players across the country is attributed to the regional and fragmented nature of key demand drivers such as housing development.

Susceptibility of profitability margins to volatility in raw material prices

The plywood product industry’s profitability margins are highly correlated with fluctuations in raw material prices. The Company does not enter into long-term price or quantity contracts with suppliers, making its profitability susceptible to volatility in raw material prices.

The players’ modest bargaining power is moderate, restricting their ability to fully pass on the input cost increases to customers or retaining any benefit of lower input cost. As a result, the profitability margins are susceptible to volatility in raw material prices.

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.

Financial details are in annexures (I, II & III).

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.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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.

Arjun Ply and Veneers Private Limited

Statement of Profit & Loss

Annexure I

₹ Crs	FY13	FY14	FY15
Result Type	Audited	Audited	Audited
Gross Sales	29.27	33.72	35.77
Excise Duty/Sales Tax	5.24	5.20	5.59
Net Sales	24.03	28.52	30.18
Total Operating Income	24.03	28.52	30.18
Operating Expenses	22.97	27.54	29.05
OPBDIT	1.06	0.98	1.13
Depreciation/Amortization/Impairment	0.28	0.32	0.50
OPBIT	0.79	0.65	0.63
Interest and Finance Charges	0.37	0.17	0.11
OPBT	0.42	0.48	0.52
Non-Operating Income(Expenses)	0.00	0.02	0.01
PBT	0.42	0.50	0.52
Provision for Taxes	0.08	0.10	0.17
PAT	0.34	0.41	0.36

Arjun Ply and Veneers Private Limited
Balance Sheet
Annexure II

₹ Crs	FY13	FY14	FY15
Result Type	Audited	Audited	Audited
Liabilities			
Equity and Reserves	10.44	10.85	10.23
Share capital	2.06	2.06	2.06
Reserves and Surplus	8.38	8.78	8.17
Non-current liabilities	2.48	2.25	1.03
Long-Term Borrowings	2.48	2.25	0.00
Deferred tax Liabilities (Net)	0.00	0.00	1.03
Current liabilities	19.81	25.87	26.26
Short-Term Borrowings	0.23	0.00	0.00
Trade Payables	18.48	24.75	22.81
Other Current Liabilities	0.16	0.11	0.03
Short-Term Provisions	0.94	1.01	3.42
Total Liabilities	32.73	38.97	37.53
Assets			
Non-current assets	6.74	7.74	7.41
Net Fixed assets	6.33	7.74	7.41
Capital Work-In-Progress	0.41	0.00	0.00
Current assets	25.99	31.23	30.11
Inventories	13.66	16.22	17.34
Trade Receivables > Six Months	0.00	0.00	0.08
Trade Receivables < Six Months	11.80	13.82	12.18
Cash and Cash Equivalents	0.07	0.70	0.26
Short-Term Loans and Advances	0.15	0.11	0.14
Other Current Assets	0.31	0.39	0.11
Total Assets	32.73	38.97	37.53

Arjun Ply and Veneers Private Limited

Key Ratios

Annexure III

Key Ratios	FY13	FY14	FY15
Result Type	Audited	Audited	Audited
Total Debt/ Tangible Net worth (Times)	0.26	0.21	0.00
Tangible Net Worth (In ₹ Crores)	10.44	10.85	10.23
Net Profit Margin (Per cent)	1.41	1.42	1.18
Operating Profit Margin (Per cent)	4.43	3.42	3.74
ROCE (Per cent)	6.17	4.98	5.14
Current Ratio (Times)	1.31	1.21	1.15

(As per BWR Calculations)