



Press Release

Century Extrusions Limited

May 19, 2020

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities- Term Loan	8.69	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Re-affirmed
Long Term Bank Facilities- Cash Credit	48.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Long Term Bank Facilities- Channel Financing	5.00	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Short Term Bank Facilities- Letter of Credit	11.00	IVR A3 (IVR Single A three)	Assigned
Short Term Bank Facilities- Bank Guarantee	4.50	IVR A3 (IVR Single A three)	Re-affirmed
Total	77.19		

Details of Facilities are in Annexure 1

Rating Rationale

The ratings re-affirmed and assigned to the bank facilities of Century Extrusions Limited (CEL) continues to factor in the long track record and extensive experience of the promoters in the aluminum industry, low customer concentration risk, gradual improvement in capacity utilisation, stable operating performance with improvement in profitability, comfortable financial risk profile and moderate working capital management. However, these rating strengths are partially offset by susceptibility of operating margin to volatility in raw material prices and cyclicity in the aluminum industry. While assigning ratings, Infomerics notes that a group company of CEL, Century Aluminum Manufacturing Co Ltd. (CAMCO) has been classified as NPA due to its liquidity issues however though being fellow companies of one group, both the entities are completely independent.



Press Release

Key Rating Sensitivities

Upward Rating Factor

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and debt protection metrics on a sustained basis
- Improvement in the capital structure
- Effective working capital management with improvement in operating cycle and liquidity

Downward Rating Factor

- Dip in operating income and/or profitability impacting the debt coverage indicators
- Deterioration in the capital structure with overall gearing to more than 1.5x and interest coverage to below 1.5x
- Elongation in the operating cycle impacting the liquidity and higher average utilisation in bank borrowings remained at more than 95% on a sustained basis

Detailed description of the key rating drivers

Key Rating Strengths

Long track record and extensive experience of the partners in the aluminum industry

The company has a long track record of nearly three decades in the aluminum industry with manufacturing commencing since 1991. CEL is promoted by one Jhunjhunwala family of Kolkata. Currently the operations are looked after by Mr. Vikram Jhunjhunwala, son of Late Mr. Agrawal who has an experience of about three decades in manufacturing and factory administration for aluminum extruded products. He is well supported by a group of experienced professionals in managing the day to day operations of the company. The extensive experience of the promoters and the long track record of nearly three decades in the aluminum industry has helped the company to establish a healthy relationship with customer and suppliers.



Press Release

Low Customer concentration risk

CEL has around 650 customers pan India with top 10 customers contributing to the range of ~18%-20%, to total sales on an average. Further, CEL's products cater to various sectors including industrial, power sector, engineering etc. with no sector contributing to more than ~30 % of the total sales indicating a diversified revenue profile.

Gradual improvement in capacity utilisation

The capacity utilisation of CEL has improved during the last 4 years with utilisation improved from ~70% in FY16 to ~86% in FY19. CELs increasing capacity utilisation is an important indicator of demand in the market across sectors for aluminum extruded products.

Stable operating performance with improvement in profitability

The company recorded an improvement in its total operating income at a CAGR of ~19% during FY17-19 with a y-o-y sales growth of ~8 % in FY19 driven by rise in sales volume and better sales realization. The EBITDA margin also improved from 5.47% in FY17 to 6.23% in FY19 due to gradual higher absorption of fixed overhead backed by continuous increase in capacity utilisation coupled with improvement in both sales volume and sales realization (The Sales volume improved to 12940 MT in FY19 from 11186 MT in FY17 as realizations improved from ~Rs.162600 per MT to ~Rs.197100 per MT). Further, during 9MFY20, CEL has achieved an operating income of Rs.172.36 crore with an EBITDA of Rs.12.21 crore. The EBITDA margin has improved to 7.08 % in 9MFY20 from 6.53% in Q1 FY20. The PAT margins has increased to 1.13% in 9MFY 20 from 0.81% in Q1FY20.

Comfortable Financial risk profile

The financial risk profile of CEL is marked by its modest net worth, comfortable gearing and moderate debt protection metrics. The net worth stood at Rs.46.12 crore as on March 31, 2019 and Rs.49.30 crore as on September 30, 2019. The long term debt equity ratio and the overall gearing ratio were comfortable at 0.23x and 1.19x respectively as on March 31, 2019 (0.11x and 0.96x respectively as on March 31, 2018). Further, total indebtedness of the company as reflected by TOL/TNW also remained comfortable at 1.68x as on March 31, 2019 (1.48x as on March 31, 2018). The debt protection metrics marked by the interest



Press Release

coverage ratio of 2.85x in FY19 as compared 2.28x in FY18. Further, the company has earned satisfactory cash accruals of about Rs~8.87 crore (~Rs.7.79 crore in FY18) to serve its debt obligation of Rs.4.02 crore in FY19. Further, in H1FY20 the overall gearing of the company continued to remain comfortable at 0.84x. Moreover, the interest coverage ratio stood at 2.34x in 9MFY20. Going forward, Infomerics expects that the financial risk profile to remain satisfactory in the near term with marginal improvement in the capital structure.

Moderate working capital management

CEL's operation is moderately working capital intensive in nature as it needs to provide certain credit period to its customers in view of general practice in the industry and stock raw inventories due to lead time involved in receiving raw materials and time involved in production (1.5 months of holding period on an average). The company's operating cycle stood at 71 days in FY19 (72 days in FY18). However, the average utilization of its fund based bank limit was around ~74 % during the last 12 months ending Feb 29, 2020 indicating a satisfactory liquidity buffer.

Key Rating Weaknesses

Susceptibility of operating margin to volatility in raw material prices

The aluminum ingots and billets are the key raw material for CEL. CEL procures these materials at the price prevailing on the date of its dispatch. The aluminum industry is cyclical in nature with prices for the commodity driven by changing demand and supply conditions in the market which also has strong linkages to the global market. This results in risk of price fluctuation on the inventory of raw materials as well as finished goods. The overall working capital intensity of CEL's business is driven by its raw material inventory which in turn is governed by its long order execution cycle.

Exposure to inherent cyclicity of the metal industry

The metal industry is cyclical in nature and the company is also exposed to the same. Can we write few lines with data on aluminum prices.

Analytical Approach: Standalone



Press Release

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

Liquidity position of the company is expected to remain adequate marked by expected gross cash accruals in the range of Rs.9.5-10.50 crore in FY21-FY22 as compared to debt obligation in the range of Rs.2-3.5 crore. Further, with a gearing of 1.19 times as of March 31, 2019, the company has sufficient gearing headroom, to raise additional debt for its capex. The average utilization of its fund based bank limit was around ~74% during the last 12 months ending Feb 29, 2020 indicating a satisfactory liquidity buffer.

About the Company

Established in 1991, Century Extrusions Limited (CEL) was promoted by Late Mr. M.P. Jhunjhunwala and currently managed by his son Mr. Vikram Jhunjhunwala. The company has annual installed capacity of 15000 MT. CEL possesses in-house facilities for die manufacturing, melting and casting of billets and an extrusions manufacturing facility with three press lines. The manufacturing facilities of the company is located at in Kharagpur, West Bengal. CEL manufactures extrusions for varied applications i.e. architectural, hardware, road transport - vehicles, railways, electrical and electronic applications, engineering applications, automotive sector, consumer durables, defence applications, irrigation etc. The client portfolio of the company comprises over 650 customers pan India, with majority being Original Equipment Manufacturers (OEM). CEL products are sold under the "Century" brand.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2018	31-03-2019
	Audited	Audited
Total Operating Income	235.92	255.13
EBITDA	11.78	15.89
PAT	3.64	4.08
Total Debt	40.03	54.73
Tangible Net worth	41.59	46.12



Press Release

EBITDA Margin (%)	4.99	6.23
PAT Margin (%)	1.53	1.59
Overall Gearing Ratio (x)	0.96	1.19

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:

Sr. No.	Name Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Croe)	Rating	Date(s) & Rating(s) assigned in 20-21	Date(s) & Rating(s) assigned in 19-20	Date(s) & Rating(s) assigned in 18-19	Date(s) & Rating(s) assigned in 17-18
1	Term Loan	Long Term	8.69	IVR BBB-/ Stable Outlook (Re-affirmed)	IVR BBB-/ Stable Outlook (13 th May'2020)	-	-	-
2	Cash Credit	Long Term	48.00	IVR BBB-/ Stable Outlook (Assigned)	-	-	-	-
3	Channel Financing	Long Term	5.00	IVR BBB-/ Stable Outlook (Assigned)	-	-	-	-
4	Letter of Credit	Short Term	11.00	IVR A3 (Assigned)	-	-	-	-
5	Bank Guarantee	Short Term	4.50	IVR A3 (Re-affirmed)	IVR BBB-/ Stable Outlook (13 th May'2020)	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.



Press Release

Name and Contact Details of the Rating Analyst:

Name: Mr. Aniruddha Dhar Tel: (033) 46022266 Email: adhar@infomerics.com	Name: Mr. Avik Podder Tel: (033) 46022266 Email: apodder@infomerics.com
--	---

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



Press Release

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	Dec'2023	8.69	IVR BBB-/ Stable Outlook
Long Term Bank Facilities Cash Credit	-	-	-	48.00	IVR BBB-/ Stable Outlook
Long Term Bank Facilities Channel Financing	-	-	-	5.00	IVR BBB-/ Stable Outlook
Short Term Bank Facilities – Letter of Credit	-	-	-	11.00	IVR A3
Short Term Bank Facilities – Bank Guarantee	-	-	-	4.50	IVR A3