



## Press Release

### Ranga Particle Board Industries Limited

23 December 2021

#### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Rating Action
1.	Long Term Bank Facilities- Term Loan	79.30	IVR BB/ Stable (IVR Double B with Stable Outlook)	Assigned
2.	Long Term Bank Facilities – Fund Based	25.00	IVR BB/ Stable (IVR Double B with Stable Outlook)	Assigned
3.	Short Term Bank Facilities- Non-Fund Based	4.00	IVR A4 (IVR A Four)	Assigned
	<b>Total</b>	<b>108.30</b> <b>(Rs One Hundred Eight crores &amp; Thirty Lakhs only)</b>		

**Details of Facilities are in Annexure 1**

#### Detailed Rationale

The ratings assigned to the bank facilities of **Ranga Particle Board Industries** have been assigned on the basis of comfort from extensive experience of the promoters, favourable demand-supply gap in the industry. These factors are offset by the regulations governing the industry and the competition in the market from domestic players and imports.

#### Key Rating Sensitivities:

#### Upward Factors



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- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Improvement in the capital structure and debt protection metrics
- Effective working capital management with improvement in operating cycle and liquidity
- **Downward Factors**
  - Decline in operating income and/or profitability impacting the debt coverage indicators,
  - Elongation in the operating cycle impacting the liquidity

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Favourable demand supply gap in domestic markets**

The demand for thin MDF, below 6mm has been rising steadily over the years. There is gap between demand and supply for the said category which leads to new opportunities for the players in thin MDF category.

##### **Experienced promoters along with established marketing network**

Mr. Sanjiv Agrawal, promoter of RPBIL, is also the promoter of Paralam Global Pvt Ltd (PGPL) which has been engaged in manufacturing of Particle board for more than 25 years at Arvi District Wardha in Maharashtra. RPBIL will benefit from the experience of promoters spanning over two decades. PGPL has an established dealer network all over India. RPBIL will have advantage of PGPL's existing customer base spread across country. The associate companies are well versed and experienced in the marketing of panel products. PGPL has an established dealer network all over India.

##### **Raw material availability near the plant location**

The major raw material required for the manufacturing of MDF board is wood of Eucalyptus tree/ Subabool plantation and soft wood tree. RPBIL sources wood from local suppliers/ cultivators. The region of manufacturing plant i.e., Kandukur, Andhra Pradesh wherein forest



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is densely inhabited by plantation of Eucalyptus and hence raw material is available at reasonable cost. Accordingly, the freight cost for raw materials procurement is also low.

### **Key Rating Weaknesses**

#### **Regulatory Risk**

The major raw material for MDF is soft woods, which the company is sourcing from nearby markets. There are various laws such as the Indian Forest Act 1927, the Forest Conservation Act, 1980 and the National Forest Policy, 1988, governing the supply of wood. Given that it operates in an industry which is susceptible to changes in environmental regulations, there can be an impact on the company's ability to source raw material and thereby its operations in case of any adverse change in regulations.

#### **Increasing competition from domestic players and imports**

Increasing demand in MDF industry makes it attractive for the companies to venture into this area. Many players are now establishing plants for MDF boards. There is also an import threat for the product category. Government of India on July 2016 has imposed anti-dumping duty for MDF above 6mm thickness for five years. However, RPBIL will not be benefited from this as company's product mix ranges from 2mm-6mm.

**Analytical Approach:** Standalone

#### **Applicable Criteria:**

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

#### **Liquidity – Adequate**

The company has adequate liquidity as seen by Gross Cash Accruals of Rs. 8-15 crore which are higher as compared to the debt obligations ranging around Rs. 6.-11 crores from FY22-24. Its bank limits are utilized to the extent of ~93% during the past 12 months ended August 31, 2021.

#### **About the Company**



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Ranga Particle Board Industries Limited (RPBIL), was incorporated on September 2, 2010, by Mr. Rangaiah Kakarala to undertake Medium Density Fibreboard (MDF) manufacturing. RPBIL's plant is located at Kovur Village, Kandukur Mandal, Prakasam District, Andhra Pradesh. The company was subsequently acquired by Mr. Sanjiv Agarwal and family of Nagpur. The Agarwal family has been in particle board industry for 3 decades, through their flagship entity: Paralam Global Private Limited (Paralam). The Agarwal family took over RPBIL and completed the construction of the plant with capacity of 300CBM (Cubic Meter; 24200 boards per day).

### Financials (Standalone):

	(Rs. crore)	
For the year ended*	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	16.20	38.57
EBITDA	1.62	5.21
PAT	-16.57	-13.23
Total Debt	85.45	83.39
Adjusted Tangible Net worth	45.00	34.64
EBITDA Margin (%)	9.98	13.50
PAT Margin (%)	-102.02	-34.25
Overall Gearing Ratio (x)	1.77	2.41

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: Nil**

### Rating History for last three years:

S. No.	Name of Instrument/Facilities	Current Rating (Year 2021-2022)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating (23 December 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	79.30	IVR BB/ Stable	-	-	-



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2.	LC/BG	Short Term	4.00	IVR A4	-	-	-
3.	Cash Credit	Long Term	25.00	IVR BB/ Stable	-	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it based on complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

### Name and Contact Details of the Rating Analyst:

Name: Abhijeet	Name: Om Prakash Jain
Tel: (011) 24611910	Tel: (011) 24611910
Email: <a href="mailto:abhijeet.kumar@infomerics.com">abhijeet.kumar@infomerics.com</a>	Email: <a href="mailto:opjain@infomerics.com">opjain@infomerics.com</a>

### 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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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### 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	-	-	-	79.30	IVR BB/ Stable
Short Term Non-Fund- LC	-	-	-	4.00	IVR A4
Long Term Fund Based Bank Facilities- Cash Credit	-	-	-	25.00	IVR BB/ Stable

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Ranga-Particle-lenders-dec21.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

### Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit	Simple
2.	Term Loan	Simple
3.	LC	Simple

**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](http://www.infomerics.com).