



Press Release

Ranga Particle Board Industries Limited

November 29, 2022

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term bank Facility	90.72	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BB/ Stable (IVR Double B with Stable outlook)	Upgraded	Simple
2.	Short Term Bank Facility	4.00	IVR A3 (IVR Single A Three)	IVR A4 (IVR Single A Four)	Upgraded	Simple
	Total	94.72	Rupees Ninety Four Crore and Seventy Two Lakhs only			

Details of Facilities are in Annexure 1.

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has upgraded long-term rating to IVR BBB- with a Stable outlook and short-term rating to IVR A3 for the bank loan facilities of Ranga Particle Board Industries Limited (RPBIL).

The rating continues to draw comfort from the experienced promoters alongwith established marketing network, improved scale of operations and profitability margins, improved debt protection metrics with moderate gearing during FY2022. However, these strengths are partially offset by regulatory risk and increasing competition from domestic players and imports.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes RPBIL will continue to benefit from its operational track record in the business, its marketing network and continuous inflow of orders.

IVR has principally relied on the standalone audited financial results of RPBIL upto 31 March 2022, and projected financials for FY23, FY24 and FY25, and publicly available information/clarifications provided by the company's management.



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Upward Factors

- Continuous improvement in the operating margin combined with adequate cash accruals leading to high reinvestment in the company
- Significant improvement in debt protection parameters
- Sustenance of the overall gearing below 1.20x

Downward Factors

- Deterioration in debt protection metrics and overall gearing
- Working capital cycle is stretching more year on year, thus requiring more working capital requirements, and weakening the financial risk profile

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **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.

- **Improvement in scale of operations and profitability margins:**

RPBIL business operations has increased significantly to Rs 100.87 Cr i.e., 160x in FY2022 from Rs 38.57 Cr in FY2021 due to efficient use of its installed capacity and tapping into the overall growing domestic demand of MDF boards. With increased sales, profitability margins EBITDA margin and PAT margin have improved to 21.17% and 3.53% respectively in FY2022 from 11.71% and -36.25% in FY2021 respectively.

- **Improved debt protection metrics with moderate gearing:**

Debt protection metrics are satisfactory with DSCR at 1.74x and ISCR at 2.03x in FY2022. TOL/TNW is 2.8x in FY2022 as against 3x in FY2021 and overall gearing improved to 1.92x in FY2022 from 2.46x in FY2021.



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- **Easy availability of raw material:**

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 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.

- **Favorable 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.

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.

Analytical Approach: For arriving at the ratings, IVR has analysed RPBIL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-financial Sector\)](#)

[Criteria for assigning rating outlook](#)



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Liquidity – Adequate

The gross cash accruals stood comfortable Rs. 12.27 cr against a repayment obligation of Rs. 2.20 cr in FY2022. The company also has an adequate current ratio of 1.43 in FY2022. Despite having a less than one DSCR in FY2021, the company was able to repay their debt obligations timely out of the internal cash accruals of the business and the funds infusion. The free cash & cash equivalent was Rs. 1.36 Crore as on March 31, 2022. Liquidity is expected to remain Adequate. The company is expected to generate cash accruals in the range of Rs. 15.00 crore to Rs. 20.00 crore in FY23-FY25 as against the repayment of Rs. 7.16 crore to Rs. 11.97 crore indicating sufficient repaying capability.

About the Company

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):

For the year ended*/As on	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	38.57	100.87
EBITDA	4.52	21.36
PAT	-14.00	3.61
Total Debt	83.39	85.74
Tangible Net worth	33.87	44.63
EBITDA Margin (%)	11.71	21.17
PAT Margin (%)	-36.25	3.53
Overall Gearing Ratio (x)	2.46	1.92

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: CARE B+/ Stable ISSUER NOT COOPERATING on December 31, 2020,

Any other information: Nil



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Rating History for last three years:

Sr. No.	Type of Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Rating (29 November 2022)	Date(s) & Rating(s) assigned in 2021-22 (23 December 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based	Long Term	90.72	IVR BBB-/ Stable	IVR BB/ Stable	-	-
2.	Non-Fund Based	Short Term	4.00	IVR A3	IVR A4	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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



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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.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	June 2029	65.72	IVR BBB-/ Stable
Cash Credit	-	-	-	25.00	IVR BBB-/ Stable
Letter of credit*	-	-	-	4.00	IVR A3

**Includes BG sub-limit of Rs. 2.00 crore*

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Ranga-Particle-nov22.pdf>

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

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 [Complexity Level of Rated Instruments/Facilities](#).