



Press Release

Ranga Particle Board Industries Private Limited
(Formerly known as Ranga Particle Board Industries Limited)
March 26, 2024

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	101.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BB+ (Negative)/ ISSUER NOT COOPERATING; (IVR Double B Plus with Negative Outlook/ Issuer Not Cooperating)	Upgraded and removed from Issuer Not Cooperating Category/ Assigned for enhanced amount	Simple
2.	Short Term Bank Facilities	2.00	IVR A3 (IVR A Three)	IVR A4+ /ISSUER NOT COOPERATING * (IVR A Four Plus / Issuer Not Cooperating)	Upgraded and removed from Issuer Not Cooperating Category	Simple
	Total	103.00	Rupees One Hundred and Three Crores Only			

* Issuer not cooperating; Based on best available information

Details of Facilities are in Annexure 1.

Detailed Rationale

Earlier Infomerics Valuation and Rating Private Limited (IVR) had moved the ratings assigned to the bank facilities of Ranga Particle Board Industries Private Limited (RPBIL) into Issuer Not Cooperating category due to non-submission of information by the company. Now the company has duly submitted all the required information for a detailed review and Infomerics has Upgraded the long-term ratings and the short-term ratings & removed the long term and short-term ratings from 'ISSUER NOT COOPERATING' category. Further, IVR has assigned the rating of IVR BBB- with Stable Outlook to enhanced long-term bank loan facilities limits of RPBIL.

The rating upgrade continues to draw comfort from the experienced promoters, stable scale of operations and profitability margins, improved debt protection metrics, proximity of plant location to raw material sources. The performance of the entity is stable in FY2023 and expected to be remained stable in short to medium term. However, these strengths are



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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's business risk profile will be maintained over the medium term.

IVR has principally relied on the standalone audited financial results of RPBIL upto 31 March 2023, and projected financials for FY24, FY25 and FY26, and publicly available information/clarifications provided by the company's management.

Upward Factors

- Significant Improvement in the scale of operations.
- Sustenance of the profit margin and improved overall financial risk profile leading to strengthening of the liquidity position of the company.

Downward Factors

- More than expected moderation in the scale of operations and/or deterioration in profit margin impacting the liquidity and debt coverage indicators.
- Moderation in the capital structure.

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 benefits from the experience of promoters spanning over two decades. RPBIL 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.

Stable scale of operations and profitability:

The company has stable scale of operations & profitability. Ranga Particle Board Industries Private Limited (RPBIL) total operating income has increased by 18% y-o-y from Rs. 101.01 Crore in FY22 to Rs. 118.76 Crore in FY23. The company has operating margin (EBITDA) of 20.61% in FY23 against 21.28% in FY22, whereas PAT margin improved to 7.69% in FY23 against 3.67% in FY22.



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Comfortable debt protection metrics:

Debt protection metrics has improved on the back of increase in gross cash accruals from Rs 12.42 Cr in FY22 to Rs 17.63 Cr. in FY23. Debt service coverage ratio (DSCR) improved to 2.74x as on March 31, 2023, as compared to 1.75x as on March 31, 2022. Similarly, Interest service coverage ratio (ISCR) improved and stood at 2.75x as on March 31, 2023, as compared to 2.05x as on March 31, 2022.

Proximity of plant location to raw material sources

The major raw material required for the manufacturing of MDF board is wood of Eucalyptus tree/ Subabul 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.

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 related to the cutting of woods, 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 business. Many players are now establishing plants for MDF boards, besides there is also an import threat for the product category to an extent.

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 outlooks](#)

Liquidity – Adequate

The liquidity position of the company stood adequate with gross cash accruals of Rs. 17.63 Cr. against repayment obligation of Rs. 0.89 Cr in FY23 and projected cash accruals of more than Rs 15 Crs against repayment of Rs 4.70 Crs for FY24. The average fund-based utilisation



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remained moderate at ~ 60% during the past 12 months ended December 2023. Liquidity is expected to remain Adequate.

About the Company

Ranga Particle Board Industries Private Limited (RPBIPL), was incorporated on September 2, 2010, by Mr. Rangaiah Kakarala to undertake Medium Density Fibreboard (MDF) manufacturing. RPBIPL'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 RPBIPL and completed the construction of the plant with capacity of 300CBM (Cubic Meter; 24200 boards per day). The company has recently undertaken expansion capex (board thickness ranging from 9mm to 25mm), project cost of which is Rs.33.23 Crs. The trial runs have begun, and commercial production is expected to begin by the end of March 2024.

Financials (Standalone):

	(Rs. crore)	
For the year ended*/As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	101.01	118.76
EBITDA	21.50	24.48
PAT	3.76	9.29
Total Debt	85.74	79.97
Analysed Tangible Networth (including quasi equity)	44.63	57.92
EBITDA Margin (%)	21.28	20.61
PAT Margin (%)	3.67	7.69
Overall Analysed Gearing Ratio (x)	1.92	1.38

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: None

Any other information: Nil

Rating History for last three years:



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Sr. No.	Type of Facilities	Current Rating (Year 2023-24)				Rating History for the past 3 years		
		Tenure	Amount outstanding (Rs. Crore)	Current Rating	Rating (29 January 2024)	Date(s) & Rating(s) assigned in 2022-23 (29 November 2022)	Date(s) & Rating(s) assigned in 2021-22 (23 December 2021)	Date(s) & Rating(s) assigned in 2021-20
1.	Fund Based	Long Term	101.00	IVR BBB-/Stable	IVR BB+ (Negative)/INC	IVR BB/Stable	IVR BB/Stable	-
2.	Non-Fund Based	Short Term	2.00	IVR A3	IVR A4+/INC	IVR A4	IVR A4	-

Name and Contact Details of the Rating Analyst:

Name: Mr. Raman Thakur

Tel: (011) 45579024

Email: raman.thakur@infomerics.com

Name: Mr. Vipin Jindal

Tel: (011) 45579024

Email: vipin.jindal@infomerics.com

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

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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 (TL)	-	-	Dec,2028 March,2031 (for fresh TL)	76.00	IVR BBB-/ Stable
Long Term Bank Facilities – Cash Credit	-	-	-	25.00	IVR BBB-/ Stable
Short Term Bank Facilities – LC	-	-	-	2.00^	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-rangaparticle-mar24.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](#).