



Press Release

Century Extrusions Limited

August 25, 2023

Ratings

Instrument/ Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	56.52 (Reduced from 60.36)	IVR BBB/ Stable (IVR Triple B with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	15.50	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	72.02 (Rs. Seventy-two crore and two lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Century Extrusions Limited (CEL) continues to derive comfort from its experienced promoters and lower customer concentration risk. The ratings also positively notes the stable financial performance of the company in FY2023 and in Q1FY24 coupled with comfortable capital structure and debt coverage indicators. These rating strengths are partially offset by susceptibility of profitability to volatility in the prices of raw materials, working capital intensive nature of its operation and exposure to cyclical in the metal industry.

Rating Sensitivities

Upward factors

- 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.
- Sustained improvement in the capital structure and debt protection metrics
- Effective working capital management with improvement in operating cycle and liquidity

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators
- Deterioration in the capital structure with overall gearing above 1.25x and interest coverage below 1.5x
- Elongation in the operating cycle impacting the liquidity position of the company



Press Release

Detailed Description of Key Rating Drivers

Key Rating Strengths

Extensive experience of the promoters in the aluminium industry

CEL is promoted by one Jhunjunwala family of Kolkata in 1991. Currently the operations are looked after by Mr. Vikram Jhunjunwala, son of Late Mr. Agrawal who has an experience of about three decades in manufacturing and factory administration for aluminium 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 long track record of the company for nearly three decades in the aluminium industry has helped the company to establish a healthy relationship with customer and suppliers.

Low customer concentration risk

CEL has around 500 customers pan India with top ten customers contributing ~32% of the total sales in FY2023 fiscal year. Further, CELs products cater to various sectors including industrial, power sector, engineering etc. with no single customer contributing to more than 5% of the total sales, thereby indicating a diversified revenue profile.

Stable financial performance

Total operating income (TOI) increased at a CAGR of ~41% during FY2021-FY2023 with a y-o-y growth of ~15% from Rs.322.46 crore in FY2022 to Rs.371.01 crore in FY2023 on the back of increase in sales volume as well as average sales realisation for the products manufactured by the company. Despite the increase in top line, EBITDA margin moderated marginally from 5.87% in FY2022 to 5.84% in FY2023 due to increase in raw material prices and other administrative overheads. Nevertheless, due to increase in absolute EBITDA from Rs.18.93 crore in FY2022 to Rs.21.72 crore in FY2023, PBT margin (before exceptional loss) also increased from 2.68% in FY2022 to 2.72% in FY2023. However, PAT margin decreased from 1.91% in FY2022 to 1.60% in FY2023 due to exceptional loss of Rs.1.47 crore consequent to the management's decision to avail the amnesty scheme for settlement of default in export obligations of Advance and EPCG Authorisations, issued by Ministry of Finance, Government of India. Nonetheless, GCA improved from Rs.9.57 crore in FY2022 to Rs.10.28 crore in FY2023. CEL achieved an EBITDA of Rs.5.36 crore (Rs.5.98 crore during Q1FY2023) on a TOI of Rs.91.69 crore (Rs.96.01 crore during Q1FY2023) in Q1FY2024. The company's ability to sustain the growth in its top line without compromise in margins will remain a key rating monitorable going forward.



Press Release

Comfortable capital structure and debt coverage indicators

The capital structure of the company continued to remain comfortable with long term debt equity ratio of 0.21x and overall gearing of 0.87x as on March 31, 2023, as against long term debt equity ratio of 0.28x and overall gearing of 0.81x as on March 31, 2022. The debt coverage indicators also remained comfortable with ICR of 2.44x (2.49x in FY2022) and total debt/EBITDA of 2.58x (2.54x in FY2022) in FY2023. Total indebtedness as reflected by TOL/TNW also remained comfortable at 1.17x as on March 31, 2023. Going forward, Infomerics expects that the financial risk profile to remain satisfactory in the near term.

Key Rating Weaknesses

Susceptibility of operating margin to volatility in raw material prices

The aluminium 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 aluminium 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 governed to a large extent by its raw material inventory which in turn is governed by its order execution cycle.

Working capital intensive nature of operations

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 1.5-2 months of inventory holding period on an average.

Exposure to inherent cyclicity of the metal industry

The metal industry is cyclical in nature and the company is also exposed to the same.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity: Adequate

Liquidity position of the company is expected to remain adequate marked by its expected gross cash accruals in the range of Rs.11.50-13.00 crore as compared to debt obligation in



Press Release

the range of Rs. 3.00-6.09 crore during FY24-FY26. The current ratio is also comfortable at 1.60x as on March 31,2023. Also, the average utilization of its fund-based bank limit stood comfortable at ~63 % during the last 12 months ending June 30, 2023 indicating adequate 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 an 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 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 500 customers pan India.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	322.46	372.01
EBITDA	18.93	21.72
PAT	6.17	5.97
Total Debt	48.01	56.02
Tangible Net worth	59.05	64.73
EBITDA Margin (%)	5.87	5.84
PAT Margin (%)	1.91	1.60
Overall Gearing Ratio (x)	0.81	0.87

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



Press Release

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)				Rating History for the past 3 years						
		Type	Amount outstanding (Rs. Crore)	Rating	Rating	Date(s) & Rating(s) assigned in 2022-23		Date(s) & Rating(s) assigned in 2021-22		Date(s) & Rating(s) assigned in 2020-21		
						June 07, 2023	March 13, 2023	September 01, 2022	January 10, 2022	August 18, 2021	May 19, 2020	May 13, 2020
1	Term loan/G ECL	Long Term	11.52 * (Reduced from Rs.15.36 crore)	IVR BBB / Stable	IVR BBB / Stable		IVR BBB under Rating Watch with Developing Implications	IVR BBB / Stable	IVR BBB- /Stable	IVR BBB- under Credit Watch with Developing Implications	IVR BBB- /Stable	IVR BBB- /Stable
2	Cash Credit	Long Term	45.00	IVR BBB / Stable	IVR BBB / Stable		IVR BBB under Rating Watch with Developing Implications	IVR BBB / Stable	IVR BBB- /Stable	IVR BBB- under Credit Watch with Developing Implications	IVR BBB- /Stable	-
3	Letter of Credit	Short Term	11.00	IVR A3+	IVR A3+		IVR A3+ under Rating Watch with Developing Implications	IVR A3+	IVR A3	IVR A3 under Credit Watch with Developing Implications	IVR A3	-
4	Bank Guarantee	Short Term	4.50	IVR A3+	IVR A3+		IVR A3+ under Rating Watch with Developing Implications	IVR A3+	IVR A3	IVR A3 under Credit Watch with Developing Implications	IVR A3	IVR A3

*Outstanding as on June 30, 2023

Name and Contact Details of the Rating Analyst:

Name: Harshita Gupta	Name: Avik Podder
Tel: (033)- 46022266	Tel: (033)- 46022266
Email: hdidwania@infomerics.com	Email: apodder@infomerics.com

About Infomerics:



Press Release

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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 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.

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	-	-	Jan 2025	2.13	IVR BBB / Stable
GECL	-	-	Sep 2024	1.21	IVR BBB / Stable
GECL	-	-	Dec 2026	4.22	IVR BBB / Stable
GECL	-	-	Jun 2025	1.57	IVR BBB / Stable
GECL	-	-	Nov 2026	2.39	IVR BBB / Stable



Press Release

Cash Credit	-	-	-	45.00	IVR BBB / Stable
Letter of Credit	-	-	-	11.00	IVR A3+
Bank Guarantee	-	-	-	4.50	IVR A3+

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-CEL-aug23.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 www.infomerics.com.

