

## Press Release

### Sylvan Plyboard India Limited

April 05, 2022



## Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	48.75	-	ACUITE A3   Assigned
Bank Loan Ratings	55.98	ACUITE BBB-   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	104.73	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

## Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) and short-term rating of **A3** (read as **ACUITE A three**) on the Rs.104.73 Cr bank facilities of Sylvan Plyboard (India)Ltd (SPIL). The outlook is '**Stable**'.

The rating draws strength from the experienced management, flexibility in production to manufacture diverse products, strategically located manufacturing facility and above average financial risk profile of SPIL. These strengths are partially offset by its working capitalintensive nature of operations of the company, susceptibility of its operating margin to raw material price fluctuations, and exposure to intense competition in the wood-panel industry.

## About the Company

Sylvan Plyboard (India)Limited was incorporated in August 2002 as Singh Brothers Exim Pvt Ltd to take over the operations of Singh Brothers & Co, a proprietorship firm established by late Mr Shree Krishna Singh in 1951. In March 2013, the company was given its current name. The company's promoters are Mr. Jai Prakash Singh and his son, Mr. Anand Kumar Singh. The manufacturing facility has been strategically located in proximity to Kolkata Port leading to easier imports.

SPIL is engaged in manufacturing of various wood products such as face veneer, sawn timber, plywood, block board, flush door and flexi ply across grades and thickness. The company markets its products under the brand name of "Sylvan", through its network of branch offices, authorized dealers, and sub dealers. The company had more than 360 authorized dealers across 15 states.

## Analytical Approach

Acuite has considered the standalone business and financial risk profiles of SPIL to arrive at this rating.

## Key Rating Drivers

### Strengths

#### **Long standing experience of the promoters in the industry**

The key promoters, Mr. Jai Prakash Singh and Mr. Anand Kumar Singh have more than 4 decades of experience in the business. The long standing experience of the promoters and long track record of operations has helped them to establish strong relationships with suppliers and customers; has aided in the establishment of a widespread dealer network for processed timber and other timber products in West Bengal, Odisha, and Uttar Pradesh. Acuité derives comfort from the long experience of the management and believes this will benefit the company going forward, resulting in steady growth in the scale of operations.

#### **Established brand name, wide distribution network and strategic location of manufacturing units strengthen SPIL's operating profile**

The Indian plywood industry is dominated by unorganised players, which account for around 70 per cent of the total plywood market. The unorganized segment is expected to witness sharp decline on account of (1) low-end segment (presence of organized players is negligible) witnessing a swift shift towards MDFs and particle boards), (2) difficulty in procurement of face veneer and (3) balance sheets of unorganized players suffering massive deterioration due to the COVID-19 pandemic. SPIL's moderate business risk profile is driven by its established position in the plywood industry, a large product portfolio with brands positioned across the price spectrum, wide distribution network of 360 dealers and brand strengths. Furthermore, the manufacturing facility set up in year 2009 has been strategically located in proximity to Kolkata Port leading to easier imports, and also leads to lower freight cost.

### Moderate financial risk profile

The financial risk profile of the company is marked by moderate networth, comfortable gearing level and average debt protection metrics. The tangible networth stood at Rs 79.78 crore as on 31st March, 2021 as compared to Rs 79.41 crore in the previous year. The gearing (debt-equity) stood comfortable at 0.59 times in FY 2021 as compared to 0.58 times in the previous year. The coverage indicators stood moderate marked by Interest coverage ratio (ICR) which stood at 1.35 times for FY 2021 as compared to 1.74 times in FY 2020. Debt service coverage ratio (DSCR) stood at 1.27 times in FY 2021 as compared to 1.59 times in FY 2020. Net cash accruals to total debt (NCA/TD) stood at 0.05 times in FY 2021. The Debt-EBITDA stood at 4.98 times in FY 2021. Acuité believes that going forward the financial risk profile of the company will improve backed by steady accruals and no major debt funded capex plans

### Weaknesses

#### **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 464 days as on March 31, 2021 similar as against 310 days as on March 31, 2020. The high GCA days are on account of high inventory period of the group which stood at 384 days as on March 31, 2021 as compared to 246 days as on 31st March 2020. SPIL generally maintains high inventory to keep adequate stock of raw materials such as veneer and chemicals which have a lead time ranging from two to six months from the date of placement of order. On the other hand, the company need to maintain sufficient finished stock inventory of its wide product array to respond market demands in a time bound manner. The debtor period stood at 98 days as on 31st March, 2021 as against 80 days in the previous year. Going forward, Acuité believes that the working capital management of the company will remain at similar levels over the medium term due to the payment terms with its customers and suppliers.

#### **Highly fragmented nature of the plywood industry and vulnerability of earnings to**

### fluctuations in raw material prices

The unorganised sector accounts for a substantial part (around 70% of the total market size) of the plywood industry. Intense competition from a large number of unorganised and organised players restricts SPIL's pricing flexibility. Furthermore, the profitability of the company exposed to volatility in the prices of key raw materials such as venner and chemicals.

### Rating Sensitivities

Significant ram up in the scale of operations

Deterioration in working capital cycle

### Material covenants

None

### Liquidity Position: Adequate

The company's liquidity is adequate marked by net cash accruals which stood at Rs 2.32 Cr as on March 31, 2021 as against long term debt repayment of Rs. 0.32 Cr over the same period. The cash and bank balances of the company stood at Rs. 0.17 Cr as on March 31, 2021 as compared to Rs. 0.18 Cr as on March 31, 2020. The current ratio stood at 1.82 times as on March 31, 2021. However, the fund based limit utilisation remained moderate at 83 per cent over six months ended February, 2022. The working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 464 days as on March 31, 2021 as against 310 days as on March 31, 2020. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

### Outlook: Stable

Acuité believes that SPIL will maintain a stable outlook over medium term on account of experienced management, steady revenue growth and moderate financial risk profile. The outlook may be revised to 'Positive' in case the company achieves higher than expected improvement in its operating income and profitability while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' in case of substantial reduction in its operating income, sharp decline in its operating margins and further stretch in its working capital cycle.

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	109.08	178.45
PAT	Rs. Cr.	0.37	2.74
PAT Margin	(%)	0.34	1.53
Total Debt/Tangible Net Worth	Times	0.59	0.58
PBDIT/Interest	Times	1.35	1.74

### Status of non-cooperation with previous CRA (if applicable)

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

**Rating History:**  
Not Applicable

**Annexure - Details of instruments rated**

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE A3   Assigned
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB-   Stable   Assigned
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.75	ACUITE BBB-   Stable   Assigned
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.25	ACUITE BBB-   Stable   Assigned
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB-   Stable   Assigned
Bank of Baroda	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	2.76	ACUITE BBB-   Stable   Assigned
Punjab National Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	3.02	ACUITE BBB-   Stable   Assigned
Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	6.20	ACUITE BBB-   Stable   Assigned
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	17.75	ACUITE A3   Assigned
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE A3   Assigned
Bank of Baroda	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	9.25	ACUITE A3   Assigned

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### About Acuité Ratings & Research

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