

Press Release

Sylvan Plyboard India Limited

February 14, 2023



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	61.98	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	42.75	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	104.73	-	-

Rating Rationale

Acuite has reaffirmed 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**'.

Rating Rationale

The rating draws strength from the experienced management, flexibility in production to manufacture diverse products, strategically located manufacturing facility, moderate network, comfortable gearing and healthy debt protection metrics of SPIL. These strengths are partially offset by its working capital intensive 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 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 in the eastern market, established distribution network and strategic location of manufacturing units strengthen SPIL's operating profile –

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, 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.

The company's capacity utilisation has increased from 67% in FY2021 to 82% in FY2022 on the back of healthy real estate absorption, strong demand from smaller cities and market share gains from unorganised players. The company's revenue stood at Rs 172.04 crore as on FY2022 vis-à-vis Rs 109.08 crore in FY2021. In the 9 months of FY2023, the revenue stood at Rs. 145.28 crore (provisional) backed by robust demand from end-users industries.

Moderate financial risk profile

The financial risk profile of the company is marked by moderate networth, comfortable gearing level and healthy debt protection metrics. The tangible networth stood at Rs 82.83 crore as on 31st March, 2022 as compared to Rs 79.78 crore in the previous year. The gearing (debt-equity) stood comfortable at 0.55 times in FY 2022 as compared to 0.59 times in the previous year. The coverage indicators stood healthy marked by Interest coverage ratio (ICR) which stood at 2.08 times for FY 2022 as compared to 1.35 times in FY 2021. Debt service coverage ratio (DSCR) stood at 1.16 times in FY 2022 as compared to 1.27 times in FY 2021. Net cash accruals to total debt (NCA/TD) stood at 0.11 times in FY 2022. The Debt-EBITDA stood at 3.94 times in FY 2022. 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 is marked by improving Gross Current Assets (GCA) of 320 days as on March 31, 2022 as against 464 days as on March 31, 2021. The high GCA days are on account of inventory period of the company which stood at 241 days as on March 31, 2022 as compared to 384 days as on 31st March 2021. 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 86 days as on 31st March, 2022 as against 98 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 industry is highly fragmented and unorganized in nature thereby putting pressure on the profitability margins of the companies engaged in the industry. Furthermore, due to low entry

barriers, the competition gets intensified, which put pressure on profitability of the existing as well as new players. Accordingly, the margins of the company may fluctuate, depending upon price movement and level of competition.

Rating Sensitivities

Significant ramp 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 stood at Rs 5.15 Cr as on March 31, 2022 as against long term debt repayment of Rs. 3.65 Cr over the same period. The cash and bank balances of the company stood at Rs. 0.08 Cr as on March 31, 2022 as compared to Rs. 0.17 Cr as on March 31, 2021. The current ratio stood at 1.72 times as on March 31, 2022. However, the fund based limit utilisation remained moderately high at 84 per cent over six months ended December, 2022. The working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 320 days as on March 31, 2022 as against 464 days as on March 31, 2021. 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	172.04	109.08
PAT	Rs. Cr.	3.05	0.37
PAT Margin	(%)	1.77	0.34
Total Debt/Tangible Net Worth	Times	0.55	0.59
PBDIT/Interest	Times	2.08	1.35

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>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such

instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors uncertainty in cash flow patterns number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as Simple' can carry high levels of risk. -or more details. please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Apr 2022	Letter of Credit	Short Term	9.25	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	21.00	ACUITE A3 (Assigned)
	Working Capital Term Loan	Long Term	3.02	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	17.75	ACUITE A3 (Assigned)
	Cash Credit	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	10.25	ACUITE BBB- Stable (Assigned)
	Working Capital Term Loan	Long Term	2.76	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	0.75	ACUITE A3 (Assigned)
	Working Capital Term Loan	Long Term	6.20	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	3.75	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.75	ACUITE A3 Reaffirmed
Indian Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.50	ACUITE BBB- Stable Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	39.50	ACUITE BBB- Stable Reaffirmed
Punjab National Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	7.76	ACUITE BBB- Stable Reaffirmed
Indian Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	2.22	ACUITE BBB- Stable Reaffirmed
Indian Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	21.00	ACUITE A3 Reaffirmed
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	21.00	ACUITE A3 Reaffirmed
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.00	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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