



Press Release
Sylvan Plyboard India Limited
May 13, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.75	ACUITE BBB- Positive Assigned	-
Bank Loan Ratings	61.98	ACUITE BBB- Positive Reaffirmed Stable to Positive	-
Bank Loan Ratings	3.25	-	ACUITE A3 Assigned
Bank Loan Ratings	42.75	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	114.73	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on the Rs.6.75 Cr. bank facilities of Sylvan Plyboard India Limited (SPIL). The outlook is '**Positive**'.

Acuite has also assigned a short- term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.3.25 Cr. bank facilities of Sylvan Plyboard India Limited (SPIL).

Acuite has reaffirmed its long-term rating at '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on the Rs.61.98 Cr. bank facilities of Sylvan Plyboard India Limited (SPIL). The outlook is revised to '**Positive**' from '**Stable**'.

Acuite has reaffirmed its short-term rating to '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.42.75 Cr. bank facilities of Sylvan Plyboard India Limited (SPIL).

Rationale for Rating

The rating reaffirmed reflects the benefits derived from the long standing experience of the promoters in the industry along with steady scale of operations. The financial risk profile of the company is healthy marked by improving net worth, comfortable gearing and moderate debt protection metrics. The company has recorded an operating income of Rs. 198.56 Cr. in FY2023 as against Rs. 172.04 Cr. in FY2022. Further, the company has achieved revenues of around Rs. 223.82 Cr. for the FY2024 (Provisional). It has also been able to improve its operating margin to 8.50% in FY2024(Provisional) largely because of improvement since pandemic times and partial automation of its machinery leading to lower power and employee costs. The performance of the company is expected to remain at similar improved levels over the medium term. These strengths are constrained by working capital intensive nature of operations as evident from gross current assets (GCA) of 320 days for FY2023 and same for the FY2022 and fragmented nature of the industry as the industry is highly fragmented and unorganized in nature.

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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité 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 and in last financial year, Uttarakhand. 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.

Steady scale of operations

SPIL reported operating income of Rs. 198.56 Cr. in FY2023 as against Rs. 172.04 Cr. in FY2022. It has clocked a revenue of Rs. 223.82 Cr. in FY2024 (provisional). The increase in revenue in FY2023 is attributable to better pricing, as the price of finished goods has increased by 5–6%. The company uses a dual approach, buying from local markets and through imports. When local prices rise, the company increases its import. For sawn timber, they import most of the raw wood (round wood) due to higher local prices, and then convert it into sawn timber themselves. This year, the company relied mostly on imports. The operating margin of the company increased to 6.83% in FY2023 as compared to 6.25% in FY2022. The company's margins are expected to improve further due to atomisation of plant. Additionally, majority of the factory is automated, which lowers the labour and electricity costs. The company intends to fully automate its factory. Further, PAT margin stood at 1.78% in FY2023 as against 1.77% in FY2022. The ROCE levels stood comfortable at 8.71% in FY2023 as against 7.47% in FY2022.

Healthy financial risk profile

The financial risk profile of the company is healthy marked by improving net worth, comfortable gearing and moderate debt protection metrics. The tangible net worth of the company stood at Rs. 88.12 Cr. as on FY2023 as compared to Rs.82.83 Cr. as on FY2022 due to accretion to reserves. The Company has also infused Rs. 5 Cr. as equity capital in FY2024 which is expected to improve its capital structure. The gearing of the company stood comfortable at 0.62 times as on FY2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) has increased and stood at 1.32 times as on FY2023. The debt protection metrics of the company remain moderate marked by Interest coverage ratio (ICR) of 1.96 times and debt service coverage ratio (DSCR) of 1.20 times for FY2023. The net cash accruals to total debt (NCA/TD) stood healthy at 0.11 times in FY2023. Going forward, Acuité believes that the financial risk profile will remain healthy over the medium term, supported by steady accrual, comfortable capital structure and debt protection metrics

Weaknesses

Working capital intensive nature of operations

SPIL has high working capital requirements as evident from gross current assets (GCA) of 320 days for FY2023 and same for the FY2022. Debtor days decreased to 71 days in FY2023 as against 86 days in FY2022. Inventory days increased to 260 days in FY2023 as against 241 days in FY2022. The management has to import raw materials and there is a high lead time

involved in procurement and shipment of raw materials. As an outcome, the Company maintains high inventory levels for maintaining continuity of operations. Creditor days of the company stood at 157 days as on FY2023 as compared to 138 days of FY2022. A majority of the suppliers of the company provides a credit of 180 to 270 days backed by letter of credit. Acuité believes that the working capital operations of the company will remain at the similar levels over the medium term

Fragmented nature of the industry

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

Liquidity Position Adequate

The company has adequate liquidity marked by net cash accruals of Rs. 5.87 Cr. as on FY2023 as against debt obligation of Rs. 3.66 Cr. over the same period. The net cash accruals are expected to improve backed by improving profitability over the medium term and be range bound to Rs.5.87 Cr. and Rs. 8.48 cr. The cash and bank balance stood at Rs. 0.34 Cr. for FY 2023. Further, the current ratio of the company stood at 1.59 times in FY2023. The working capital cycle of the company is marked by Gross Current Assets (GCA) of 320 days for FY2023 and same for the FY2022. The bank limit of the company has been ~ 82.53 percent utilized for the last six months ended in February 2024. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of steady cash accruals, low term debt repayment obligations and moderate current ratio over the medium term.

Outlook: Positive

Acuité believes that the company, will maintain a 'Positive' outlook over the medium term due to improvement in revenues and expected improvement in profitability due to automation of its machinery. The rating may be upgraded in case the company achieves higher than expected improvement in its operating income and profitability while improving its working capital cycle. Conversely, the outlook may be revised to 'Stable' 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	198.56	172.04
PAT	Rs. Cr.	3.53	3.05
PAT Margin	(%)	1.78	1.77
Total Debt/Tangible Net Worth	Times	0.62	0.55
PBDIT/Interest	Times	1.96	2.08

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, Acuite 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. For 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
14 Feb 2023	Cash Credit	Long Term	39.50	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	7.76	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	10.50	ACUITE BBB- Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	2.22	ACUITE BBB- Stable (Reaffirmed)
	Letter of Credit	Short Term	21.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	0.75	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	21.00	ACUITE A3 (Reaffirmed)
05 Apr 2022	Cash Credit	Long Term	20.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	3.75	ACUITE BBB- Stable (Assigned)
	Covid Emergency Line.	Long Term	6.20	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	10.25	ACUITE BBB- Stable (Assigned)
	Covid Emergency Line.	Long Term	3.02	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	10.00	ACUITE BBB- Stable (Assigned)
	Covid Emergency Line.	Long Term	2.76	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	17.75	ACUITE A3 (Assigned)
	Bank Guarantee (BLR)	Short Term	0.75	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	21.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	9.25	ACUITE A3 (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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.75	ACUITE A3 Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.25	ACUITE A3 Assigned
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	39.50	ACUITE BBB- Positive Reaffirmed Stable to Positive
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.04	ACUITE BBB- Positive Reaffirmed Stable to Positive
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE BBB- Positive Assigned
Punjab National Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	Simple	4.44	ACUITE BBB- Positive Reaffirmed Stable to Positive
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	21.00	ACUITE A3 Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	21.00	ACUITE A3 Reaffirmed
Union Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A3 Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.54	ACUITE BBB- Positive Assigned
Punjab National Bank	Not avl. / Not appl.	Term Loan	14 Aug 2023	Not avl. / Not appl.	31 Jul 2028	Simple	2.00	ACUITE BBB- Positive Reaffirmed Stable to Positive

Punjab National Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2028	Simple	1.83	ACUITE BBB- Positive Assigned
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2024	Simple	0.46	ACUITE BBB- Positive Assigned
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2026	Simple	0.92	ACUITE BBB- Positive Assigned

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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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