

CARE/KRO/RL/2018-19/2346

Mr. Vikram Jhunjunwala
Director
Century Extrusions Limited
113, Park Street,
2nd Floor, N Block,
Kolkata 700016
West Bengal

January 7, 2019

Confidential

Dear Sir,

Credit rating for bank facilities

Please refer to your request for rating the bank facilities of your company.

2. The following ratings have been assigned by our Rating Committee:

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	61.25	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Assigned
Short-term Bank Facilities	15.60	CARE A3 (A Three)	Assigned
Total facilities	76.85 (Rs. Seventy six crore and eighty five lakh only)		

3. Refer **Annexure 1** for details of rated facilities.

4. The above rating is normally valid for a period of one year from the date of our initial communication of rating to you (that is December 28, 2018).

5. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure 2**. We request you to peruse the annexed document and offer

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by January 5, 2019, we will proceed on the basis that you have no any comments to offer.

6. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
7. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
8. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
9. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
10. CARE ratings are **not** recommendations to sanction, renew, disburse or recall any bank facilities.

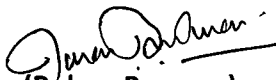
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11. If you need any clarification, you are welcome to approach us in this regard. We are indeed, grateful to you for entrusting this assignment to CARE.

Thanking you,

Yours faithfully,

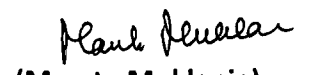


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Disclaimer

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In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

**Annexure 1
Details of Rated Facilities**

1. Long-term facilities

1.A. Secured Rupee term loan

Sr. No.	Lender	Rated Amount (Rs. Crore)	Remarks	Debt Repayment Terms
1.	State Bank of India	1.15	Outstanding	Incremental quarterly repayment structure with last instalment on March 2021
2.	Punjab & Sind Bank	10.40	Sanctioned amount is Rs.10.40 crore, but outstanding is Rs.6 crore	Incremental quarterly repayment structure with first instalment in Jan 2018 and last instalment in Jan 2025
3.	HDFC Bank	4.00	Outstanding	Bullet repayment on Jan 27, 2018
Total Rupee term loans		15.55		

1B. Fund Based limits

Sr. No.	Name of Bank	Fund Based Limits		
		Cash Credit	Channel Finance	Total fund-based limits
1	State Bank of India	18.00	0.00	18.00
2	HDFC Bank	2.00	0.00	2.00
3	Axis Bank	6.50	5.00	11.50
4	Punjab National Bank	9.50	0.00	9.50
5	Yes Bank Limited	0.00	2.70	2.70
6	Proposed	2.00	0.00	2.00
	Total	38.00	7.70	45.70

*CC=Cash credit;

Total Long term bank facilities as on December 31, 2018 (1A+1B) = Rs.61.25 crore

2. Short term facilities

Sr. No.	Name of Bank	Non Fund Based Limits			Remarks
		LC	BG	FC (Derivative)	
1	State Bank of India	7.00	2.50	0.10	Sanctioned & tied up
2	Axis Bank	4.00	1.00	0.00	
3	Punjab National Bank	0.00	1.00	0.00	
	TOTAL	11.00	4.50	0.10	

Total Short term bank facilities as on December 31, 2018 = Rs.15.60 crore

Total rated bank facilities as on December 31, 2018 (1+2) = Rs.76.85 crore

Annexure 2
Press Release
Century Extrusions Limited

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	61.25	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Assigned
Short-term Bank Facilities	15.60	CARE A3 (A Three)	Assigned
Total facilities	76.85 (Rs. Seventy six crore and eighty five lakh only)		

**Details of Instruments/facilities in Annexure I*

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Century Extrusions Limited (CEL) derive comfort from the long experience of the promoters in the industry, established market presence and customer base, satisfactory capacity utilisation of the plant and improving trend in profitability margins with moderate debt coverage indicators.

However, the ratings are constrained by the working capital intensive nature of business, moderate capital structure, project implementation risk, susceptibility of profitability to volatility in raw material prices and presence in a competitive industry marked by limited value addition in the manufacturing process.

Ability of the company to effectively manage its working capital requirements, successful implementation of modernization plan along with improvement in scale of operation, profitability and capital structure are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Long experience of the promoters in aluminum industry

The group was started by Late Mr. M.P. Jhunjunwala, through Century Aluminium Manufacturing Company Ltd (CAMCO) in 1974, which is engaged in manufacturing of secondary aluminium alloys and supplying to OEMs and auto industry. CEL commenced operation in 1991. The company is presently headed by Mr. Vikram Jhunjunwala, who has extensive experience of around 25 years in aluminium products business.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

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Established market presence and customer base

The products of the company are used in the auto industry, power sector, engineering and manufacturing industry, architectural works and defense sector among others. The company has six branch offices (Bangalore, Chennai, Delhi, Kanpur, Kolkata & Mumbai) located across the country to cater to the customers throughout the country. Further, the company has a diversified set of customers with top 15 customers accounting for ~27% of sales in FY18 (28% in FY17 and 26% in FY16). Major customers include large OEMs and reputed corporates.

Satisfactory capacity utilization

The capacity utilization (CU) of CEL has improved over the past three years on the back of higher demand from the user industries. The CU of CEL is expected to improve further, as the company has started implementing a modernization plan which will enable the company to operate at higher capacity due to lower break-downs. It achieved CU of 81.85% in FY18 as against 72.65% in FY17. In H1FY19, CU was 77.72%.

Improving trend in profitability margins, though the margins continue to remain moderate

The operating income of the company has increased consistently over the past three years due to higher sales volume (on the back of higher demand) along with higher sales realization per MT (due to increase in aluminium prices). The PBILDT margin has remained moderate due to low value added nature of the product. The margins are also impacted due to high volatility in aluminum prices. However, the PBILDT margin has witnessed an improving trend quarter-on-quarter since Q4FY18. With increase in absolute level of PBILDT and relatively stable interest expense, the interest coverage ratio improved in FY18 and H1FY19.

Key Rating Weaknesses

Moderate capital structure

The overall gearing of CEL as on Mar.31, 2018 was moderate at 1.62x with borrowings mainly comprising working capital debt. However, it is expected to deteriorate going forward due to availment of debt for the ongoing modernization project and higher working capital requirement. Total debt/GCA remained moderate at 9.12x as on Mar.31, 2018.

Working capital intensive nature of operations

CEL's business is working capital intensive in nature as it has to offer 30-40 days credit period to its customers due to intense competition in the industry and it has to maintain 1 to 2 months inventory (raw material and WIP) to execute the bulk orders. Further, the aluminium billets (major RM) are procured against LC.

Project Implementation risk relating to upgradation cum modernization capex plan

CEL has undertaken a capital expenditure project towards modernisation of its manufacturing facility to improve its productivity with a total project cost of Rs.14.05 crore, proposed to be funded through a debt of Rs.10.40 crore and internal accruals of Rs.3.65 crore. The debt portion has been tied up and Rs.4.5 crore has been disbursed till September 30, 2018. Completion of the capex within the envisaged timeline and cost and deriving benefits therefrom is a key rating sensitivity.

Susceptibility of profitability to volatility in raw material price

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.

Presence in a competitive and limited value addition aluminium extrusion industry

CEL operates on a relatively moderate scale of operations in a fragmented and competitive aluminium extrusion industry which is characterized by the presence of numerous players. The entry barrier in the industry is low considering relatively low investments required in fixed assets. Hence, aluminium extrusion players have very limited scope to pass on hike in input costs to its customers. Furthermore, a large portion of demand for aluminium extrusion products comes from the cyclical construction and automobile industry making it vulnerable to economic cycles. However, CEL is one of the few organised players within the industry with diversified products.

Liquidity

The liquidity position of the company is moderate with low level of term debt repayment obligation in FY19 and average utilisation of about 85% of the working capital limits in the 12 months ending September 2018.

Analytical approach followed: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Criteria for Short Term Instruments

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Rating Methodology-Manufacturing Companies

Financial ratios – Non-Financial Sector

About the company

Incorporated in 1988, CEL is part of the Kolkata based Century Group promoted by the Jhunjhunwala family. The company commenced its operations from 1991. The company is engaged in manufacturing of aluminium-extruded products, which are used in the auto industry, power sector, engineering and manufacturing industry, architectural works and defense sector among others. The company has its operating unit in Kharagpur (West Bengal) with installed capacity of 15,000 tonne per annum.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	180.55	235.92
PBILDT	9.87	11.78
PAT	1.35	3.71
Overall gearing (times)	1.64	1.62
Interest coverage (times)	1.42	1.85

Status of non-cooperation with previous CRA: CRISIL had suspended its ratings on the bank facilities of the company on account of non-cooperation by the company vide its PR dated June 04, 2015.

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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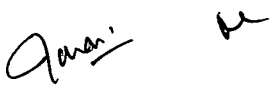
****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	38.00	CARE BBB-; Stable
Fund-based - LT-Term Loan	-	-	Jan 2025	15.55	CARE BBB-; Stable
Non-fund-based - ST-Letter of credit	-	-	-	11.00	CARE A3
Non-fund-based - ST-Credit Exposure Limit	-	-	-	0.10	CARE A3
Fund-based - LT-Vendor financing	-	-	-	7.70	CARE BBB-; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	4.50	CARE A3

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	38.00	CARE BBB-; Stable	-	-	-	-
2.	Fund-based - LT-Term Loan	LT	15.55	CARE BBB-; Stable	-	-	-	-
3.	Non-fund-based - ST-Letter of credit	ST	11.00	CARE A3	-	-	-	-
4.	Non-fund-based - ST-Credit Exposure Limit	ST	0.10	CARE A3	-	-	-	-
5.	Fund-based - LT-Vendor financing	LT	7.70	CARE BBB-; Stable	-	-	-	-
6.	Non-fund-based - ST-Bank Guarantees	ST	4.50	CARE A3	-	-	-	-

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