



Press Release

Century Extrusions Limited

September 01, 2022

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	60.36 (enhanced from Rs. 49.83 crore)	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Revised from IVR BBB-/Stable (IVR Triple B minus with Stable Outlook)	Simple
Short Term Bank Facilities	15.50 (reduced from 18.00)	IVR A3+ (IVR A three Plus)	Revised from IVR A3 (IVR A Three)	Simple
Total	75.86 (INR Seventy five crore and eighty six lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings assigned to the bank facilities of Century Extrusions Limited (CEL) takes into account healthy growth in its scale of operations in FY22 coupled with improvement in its financial performance on a y-o-y basis in Q1FY23. Further, the ratings continue to derive comfort from the company's long track record of operations and extensive experience of the promoters in the aluminium industry, low customer concentration risk and its satisfactory financial risk profile marked by satisfactory gearing and adequate debt protection metrics. However, these rating strengths continue to remain partially offset by susceptibility of CEL's operating margin to volatility in raw material prices and exposure to cyclicity in the aluminium industry. Besides, Infomerics also notes that a group company of CEL, Century Aluminum Manufacturing Co Ltd. (CAMCO) has been under stress and classified under NPA due to its liquidity issues. However, now CAMCO has already settled its account with two lenders and is also currently in discussions with the other lenders. The conclusion of the settlement process with all the lenders is expected soon. Timely settlement of CAMCO's account with all the lenders would remain a key monitorable.



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Key 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 to more than 1.25x and interest coverage to below 2x
- Elongation in the operating cycle impacting the liquidity and higher average utilisation in bank borrowings remained at more than 90% on a sustained basis

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record and extensive experience of the promoters in the aluminium industry

The company has a long track record of nearly three decades in the aluminum industry with manufacturing commencing since 1991. CEL is promoted by one Jhunjhunwala family of Kolkata. Currently the operations are looked after by Mr. Vikram Jhunjhunwala, son of Late Mr. M.P. Jhunjhunwala, who has an experience of about three decades in manufacturing and factory administration for aluminum 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 the long track record of nearly three decades in the aluminum 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 five customers contributing to ~19% to total sales on an average. Further, CELs products cater to various sectors including



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industrial, power sector, engineering etc. with no single customer contributing to more than ~6% of the total sales indicating a diversified revenue profile.

Healthy growth in scale of operations in FY22 and in Q1FY23

The company reported healthy growth in its total operating income to ~Rs.322 crore in FY22 against ~Rs. 187 crore in FY21 supported by improved demand and better average sales realization on the back of pick-up in economic activities. The revenue of the company was affected in Q4FY20 and in Q1FY21 on account of Covid-19 pandemic and the subsequent nation-wide lockdown. During Q1FY23, the company has achieved net profit of Rs. 2.29 crore on a revenue of ~Rs. 96 crore.

Satisfactory financial risk profile

The financial risk profile of CEL is marked by its satisfactory net worth, comfortable gearing and moderate debt protection metrics. The long-term debt equity ratio and the overall gearing ratio continue to remain comfortable at 0.26x and 0.75x respectively as on March 31, 2022. Further, total indebtedness of the company as reflected by TOL/TNW also remained comfortable at 1.31x as on March 31, 2022. Driven by improvement in EBITDA, the interest coverage ratio improved from 1.96x FY21 to 2.49x in FY22. Infomerics expects that the financial risk profile of the company 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 driven by its raw material inventory which in turn is governed by its order execution cycle.

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:



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[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of 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.11.00-12.00 crore as compared to debt obligation in the range of Rs. 2.55-4.28 crore during FY25-FY23. The current ratio is also comfortable at 1.62x as on March 31,2022. However, the average utilization of its fund-based bank limit was around ~91 % during the last 12 months ending March 2022 indicating a limited 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):

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	187.33	322.46
EBITDA	14.55	18.93
PAT	2.18	6.17
Total Debt	39.84	44.16
Tangible Net worth	52.59	59.05
EBITDA Margin (%)	7.77	5.87
PAT Margin (%)	1.16	1.91
Overall Gearing Ratio (x)	0.76	0.75

**Classification as per Infomerics' Standard*

Status of non-cooperation with previous CRA: Care EdgeRatings has maintained the rating of Century Extrusions Ltd into the Issuer Non-Cooperating category as the company



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did not co-operate in the rating procedure despite repeated follow ups vide its Press Release dated February 16, 2022.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years					
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22		Date(s) & Rating(s) assigned in 2020-21		Date(s) & Rating(s) assigned in 2019-20	
1.	Cash Credit	Long term	45.00	IVR BBB/Stable	IVR BBB/Stable (Jan 10, 2022)	IVR BBB-/under Credit Watch with Developing Implications (Aug 18, 2021)	IVR BBB-/Stable (May 19, 2020)	-	-	-
2.	Term Loan	Long term	4.50	IVR BBB/Stable	IVR BBB/Stable (Jan 10, 2022)	IVR BBB-/under Credit Watch with Developing Implications (Aug 18, 2021)	IVR BBB-/Stable (May 19, 2020)	IVR BBB-/Stable (May 13, 2020)	-	-
3.	Guaranteed Emergency Credit Line	Long Term	10.86	IVR BBB/Stable	IVR BBB/Stable (Jan 10, 2022)	IVR BBB-/under Credit Watch with Developing Implications (Aug 18, 2021)	-	-	-	-
4.	Letter of Credit	Short Term	11.00	IVR A3+	IVR A3 (Jan 10, 2022)	IVR A3 under Credit Watch with Developing Implications (Aug 18, 2021)	IVR A3 (May 19, 2020)	-	-	-
5.	Bank Guarantee	Short Term	4.50	IVR A3+	IVR	IVR A3 under	IVR A3	IVR A3	-	-



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		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22		Date(s) & Rating(s) assigned in 2020-21		Date(s) & Rating(s) assigned in 2019-20
					A3 (Jan 10, 2022)	Credit Watch with Developing Implications (Aug 18, 2021)	(May 19, 2020)	(May 13, 2020)	

Note:

1. Earlier the Company was availing Channel Financing limit of Rs. 5 crore with Axis Bank which has been closed now.
2. Earlier the company was availing Bill Discounting limit of Rs. 2.50 crore with State Bank of India which has been closed now.

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com

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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
Cash Credit	-	-	-	45.00	IVR BBB/Stable Outlook
Term Loan	-	-	Jan 2025	4.50	IVR BBB/Stable Outlook
Guaranteed Emergency Credit Line	-	-	Dec 2026	10.86	IVR BBB/Stable Outlook
Letter of Credit	-	-	-	11.00	IVR A3+
Bank Guarantee	-	-	-	4.50	IVR A3+

Note:

1. Earlier the Company was availing Channel Financing limit of Rs. 5 crore with Axis Bank which has been closed now.
2. Earlier the company was availing Bill Discounting limit of Rs. 2.50 crore with State Bank of India which has been closed now.

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Century-Extrusions-sep22.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.