

## Century Extrusions Limited

February 16, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	58.45	CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	15.60	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>74.05</b> <b>(Rs. Seventy-Four Crore</b> <b>and Five Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated December 22, 2020, placed the rating(s) of Century Extrusions Limited (CEL) under the 'issuer non-cooperating' category as CEL had failed to provide information for monitoring of the rating and had not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. CEL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated February 08, 2022 and January 25, 2022 among others.

In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).***

The rating continues to take into account stressed liquidity position of the group, susceptibility of profitability to volatility in raw material price and presence in highly competitive industry marked by limited value addition in the manufacturing process. The rating also factors in the completion of the capex project in FY20 with time overrun. However, the weaknesses are offset by the long experience of promoters in the aluminium industry, established marketing network and long association with its customers, satisfactory capacity utilisation and financial performance during FY21 (refers to the period April 1 to March 31) and moderate capital structure and debt protection metrics.

### Detailed description of the key rating drivers

*At the time of last rating on December 22, 2020 the following were the rating weaknesses and strengths*

#### Key rating Weaknesses

##### Stretched Liquidity position of the Group

The liquidity position of the company was stressed in the past 12 months characterized by increasing utilization of the fund based working capital limits with maximum utilizations ranging between 90%-98%. Moreover, CEL's business is working capital intensive in nature as it has to offer 30-40 days credit period to its customer due to intense competition in the industry and also has to maintain 1 to 2 months inventory to execute the bulk orders on a time bound manner. The working capital cycle of CEL deteriorated to 72 days in FY19 as against 64 days in FY18 mainly due to increase in inventory holding days. Further Century Aluminum Manufacturing Co Ltd. (CAMCO), the group company of CEL has been classified as NPA due to stretched liquidity position.

##### 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 offerings as per the customer requirements.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Satisfactory financial performance

The total operating income (TOI) of CEL witnessed growth of ~7.29% to Rs.255.53 crore in FY19 primarily driven by increase in average sales realizations. Consequently, PBILDT margin demonstrated improvement from 4.97% in FY18 to 6.37% in FY19. PAT Margin however remained stable at 1.57% in FY19 vis-à-vis 1.55% in FY18 due to higher incidence of tax provisioning. Gross Cash Accruals (excluding subsidy) has improved and remained comfortable at Rs.8.82 crore in FY19 as against Rs.5.62 crore in FY18. However, during Q1FY20 the company reported PAT of Rs.1.84 crore on a TOI of Rs.58.83 crore. PAT margin deteriorated to 0.82% in Q1FY20 as compared to previous fiscals. Going forward the sales realizations is expected to remain under pressure owing to muted demand across the end user segment which in turn will adversely affect the profitability and liquidity profile of the company.

The total operating income (TOI) of CEL witnessed a negative growth of ~19% to Rs.187.33 crore in FY21 from Rs.230.56 crore in FY20. However, PBILDT margin demonstrated improvement from 7.47% in FY20 to 8.36% in FY21 due to decline in cost of material consumed. PAT Margin however moderated and stood at 1.16% (Rs.2.18 crore) in FY21 vis-à-vis 1.60% (Rs.3.70 crore) in FY20.

### Moderate capital structure and debt coverage indicators

Capital structure of CEL remains moderate with deterioration in the overall gearing ratio from ~1.62 times as on March 31, 2018 to ~1.80 times as on March 31, 2019. Given the working capital intensive nature of business coupled with subdued industry outlook, the debt coverage indicators are expected to moderate further in the near term. Overall gearing ratio improved from ~1.80 times as on March 31, 2019 to ~ 1.24 times as on March 31, 2020 on account of repayment of debt & gradual accretion of profit to reserves.

### Completion of the project relating to upgradation cum modernization capex plan with time overrun

The company has successfully completed capex plan towards modernisation of its manufacturing facility in June 2019 against earlier COD of April 2019 thereby resulting in time overrun. The total project cost was Rs.14.05 crore, which was funded through debt of Rs.6.55 crore and the balance through internal accruals. Deriving the benefits therefrom shall however remain a key rating sensitivity.

### Key rating strengths

#### Long Experience of promoters in aluminum industry

The group was promoted by Late Mr. M.P. Jhunjhunwala, through Century Aluminum Manufacturing Co Ltd. (CAMCO) in 1974, which is engaged in manufacturing of secondary aluminium alloys and supplying to Original Equipment Manufacturers (OEMs). CEL commenced operations in 1991 and is presently headed by Mr. Vikram Jhunjhunwala who has extensive experience of more than two decades in aluminum products business.

#### Established marketing network and long association with customers

The products of the company are used in the power sector, engineering and manufacturing industry, architectural works, auto industry and defense sector among others. The company presently 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 10 customers accounting for ~25% of sales in FY19 (19% in FY18). Owing to muted demand across the end user segment, the profitability of the company is projected to remain under pressure and accordingly will remain a key rating sensitivity.

### Satisfactory capacity utilization

The capacity utilization (CU) of CEL has remained satisfactory at ~82% in FY19. The CU of CEL is expected to improve further in the medium term, as the company has implemented modernization plan which would enable the company to operate at higher/optimum capacity due to lesser break-downs.

### Analytical approach: Standalone

#### Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

### About the Company

Incorporated in 1988, Century Extrusions Ltd (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 defence sector among others. The company has their operating unit in Kharagpur (West Bengal) with installed capacity of 15,000 tonnes per annum. The company is presently headed by Mr. Vikram Jhunjhunwala, who has extensive experience of around 25 years in aluminium business.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (UA)
Total operating income	231.85	188.34	223.54
PBILDT	16.98	15.56	13.32
PAT	3.70	2.18	3.60
Overall gearing (times)	0.93	0.81	NA
Interest coverage (times)	2.52	2.09	2.36

A: Audited, UA: Unaudited, NA: Not Available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

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

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this firm:** Annexure 4

#### Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	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 BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	Jan 2025	12.75	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	11.00	CARE A4+; ISSUER NOT COOPERATING*
Non-fund-based - ST-Credit Exposure Limit		-	-	-	0.10	CARE A4+; ISSUER NOT COOPERATING*
Fund-based - LT-Vendor financing		-	-	-	7.70	CARE BB+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	4.50	CARE A4+; ISSUER NOT COOPERATING*

**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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	38.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (22-Dec-20)	1)CARE BB+; Stable (03-Oct-19)	1)CARE BBB-; Stable (07-Jan-19)
2	Fund-based - LT-Term Loan	LT	12.75	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (22-Dec-20)	1)CARE BB+; Stable (03-Oct-19)	1)CARE BBB-; Stable (07-Jan-19)
3	Non-fund-based - ST-Letter of credit	ST	11.00	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A4+; ISSUER NOT COOPERATING* (22-Dec-20)	1)CARE A4+ (03-Oct-19)	1)CARE A3 (07-Jan-19)
4	Non-fund-based - ST-Credit Exposure Limit	ST	0.10	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A4+; ISSUER NOT COOPERATING* (22-Dec-20)	1)CARE A4+ (03-Oct-19)	1)CARE A3 (07-Jan-19)
5	Fund-based - LT-Vendor financing	LT	7.70	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (22-Dec-20)	1)CARE BB+; Stable (03-Oct-19)	1)CARE BBB-; Stable (07-Jan-19)
6	Non-fund-based - ST-Bank Guarantee	ST	4.50	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A4+; ISSUER NOT COOPERATING* (22-Dec-20)	1)CARE A4+ (03-Oct-19)	1)CARE A3 (07-Jan-19)

\* Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- NA****Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Vendor financing	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple
5	Non-fund-based - ST-Credit Exposure Limit	Simple
6	Non-fund-based - ST-Letter of credit	Simple

**Annexure 5: Bank Lender Details for this Company**To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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### About CARE Ratings Limited:

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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