

Century Extrusions Limited

September 20, 2022

Ratings

| Facilities/Instruments | Amount (₹ crore) | Rating | Rating Action |
|------------------------------|-------------------------|--------|--|
| Long Term Bank Facilities | - | - | Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*) and Withdrawn |
| Short Term Bank Facilities | - | - | Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*) and Withdrawn |
| Total Bank Facilities | 0.00 (₹ Only) | | |

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE has reaffirmed and withdrawn the outstanding rating of 'CARE BB+; Stable/ CARE A4+; Issuer Not Cooperating' [Double BB Plus; Outlook: Stable; ISSUER NOT COOPERATING/ A Four Plus; ISSUER NOT COOPERATING] assigned to the bank facilities of Century Extrusion Limited with immediate effect. The above action has been taken at the request of CEL and 'No Objection Certificate' received from the banks that has extended the facilities rated by CARE Ratings Limited.

Detailed description of the key rating drivers

At the time of last rating on February 15, 2022 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 69 days in FY19 as against 63 days in FY18 mainly due to increase in inventory holding days. Further Century Aluminium Manufacturing Co Ltd. (CAMCO), the group company of CEL has been classified as NPA due to stretched liquidity position. Although, In FY22 Working capital cycle of CEL has come at the pre-covid level (65days).

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.

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 5.87% in FY18 to 6.48% in FY19. PAT Margin however remained stable at 1.58% in FY19 vis-à-vis 1.56% 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.

In FY22, the total operating income (TOI) has increased significantly which showed around 72% positive growth, in absolute terms Revenue increased to Rs.322.46 crore. However, PBILDT margin showed dip from 7.77% in FY21 to 5.87% in FY22 due to increase cost of material consumed. PAT Margin has increased and stood at 1.91% (Rs.6.17 crore) in FY22 vis-à-vis 1.16% (Rs.2.18 crore) in FY21.

In Q1FY23, the company reported PAT of Rs.2.29 crore on total operating income of Rs.96.01 crore

Moderate capital structure and debt coverage indicators

Capital structure of CEL remains moderated in the overall gearing ratio from ~0.91 times as on March 31, 2018 to ~1.17 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 has been slightly Deteriorated from ~0.93 times as on March 31, 2020 to ~ 0.81 times as on March 31, 2021 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 modernization 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 aluminium industry

The group was promoted by Late Mr. M.P. Jhunjhunwala, through Century Aluminium 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 aluminium 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 defence 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 on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Policy on Withdrawal of Ratings](#)

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 (₹ crore) | March 31, 2021 (A) | March 31, 2022 (A) | Q1 FY23 (U/A) |
|----------------------------|--------------------|--------------------|---------------|
| Total operating income | 187.33 | 322.46 | 96.01 |
| PBILDT | 14.55 | 18.93 | 6.21 |
| PAT | 2.18 | 6.17 | 2.29 |
| Overall gearing (times) | 0.81 | 0.81 | - |
| Interest coverage (times) | 1.96 | 2.49 | 3.00 |

A: Audited; U/A: Unaudited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

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

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|---|------|-------------------------------|-----------------|----------------------------|-----------------------------|---|
| Fund-based - LT-Cash Credit | | - | - | - | 0.00 | Withdrawn |
| Fund-based - LT-Term Loan | | - | - | Jan 2025 | 0.00 | Withdrawn |
| Non-fund-based - ST-Letter of credit | | - | - | - | 0.00 | Withdrawn |
| Non-fund-based - ST-Credit Exposure Limit | | - | - | - | 0.00 | Withdrawn |
| Fund-based - LT-Vendor financing | | - | - | - | 0.00 | Withdrawn |
| Non-fund-based - ST-Bank Guarantee | | - | - | - | 0.00 | Withdrawn |

Annexure-2: Rating history for the last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|---|-----------------|------------------------------|--------|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 | Date(s) and Rating(s) assigned in 2020-2021 | Date(s) and Rating(s) assigned in 2019-2020 |
| 1 | Fund-based - LT-Cash Credit | LT | - | - | - | 1)CARE BB+; Stable; ISSUER NOT COOPERATING* (16-Feb-22) | 1)CARE BB+; Stable; ISSUER NOT COOPERATING* (22-Dec-20) | 1)CARE BB+; Stable (03-Oct-19) |
| 2 | Fund-based - LT-Term Loan | LT | - | - | - | 1)CARE BB+; Stable; ISSUER NOT COOPERATING* (16-Feb-22) | 1)CARE BB+; Stable; ISSUER NOT COOPERATING* (22-Dec-20) | 1)CARE BB+; Stable (03-Oct-19) |
| 3 | Non-fund-based - ST-Letter of credit | ST | - | - | - | 1)CARE A4+; ISSUER NOT COOPERATING* (16-Feb-22) | 1)CARE A4+; ISSUER NOT COOPERATING* (22-Dec-20) | 1)CARE A4+ (03-Oct-19) |
| 4 | Non-fund-based - ST-Credit Exposure Limit | ST | - | - | - | 1)CARE A4+; ISSUER NOT COOPERATING* (16-Feb-22) | 1)CARE A4+; ISSUER NOT COOPERATING* (22-Dec-20) | 1)CARE A4+ (03-Oct-19) |
| 5 | Fund-based - LT-Vendor financing | LT | - | - | - | 1)CARE BB+; Stable; ISSUER NOT COOPERATING* (16-Feb-22) | 1)CARE BB+; Stable; ISSUER NOT COOPERATING* (22-Dec-20) | 1)CARE BB+; Stable (03-Oct-19) |
| 6 | Non-fund-based - ST-Bank Guarantee | ST | - | - | - | 1)CARE A4+; ISSUER NOT COOPERATING* (16-Feb-22) | 1)CARE A4+; ISSUER NOT COOPERATING* (22-Dec-20) | 1)CARE A4+ (03-Oct-19) |

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

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 instruments: CARE Ratings 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 for any clarifications.

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About us:

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