

The Western India Plywoods Limited

September 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	12.00 (Reduced from 15.75)	CARE BBB; Stable	Reaffirmed
Short-term bank facilities	4.00 (Reduced from 4.50)	CARE A3+	Reaffirmed
Long-term bank facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of The Western India Plywoods Limited (WIPL) continue to derive strength from the promoters' vast experience and long operational track record for more than seven decades, WIPL's presence as a niche player in the domestic hardboard industry, diversified product profile and customer base, and healthy financial risk profile. However, ratings continue to be constrained by profit margins susceptible to volatile raw material prices and forex risk, exposure to subsidiaries and competition from the unorganised segment.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growing scale of operations marked by increasing total operating income (TOI) to above ₹150 crore.
- Sustained improvement in profitability margin to a range of 9% to 10%.

Negative factors

- Debt-funded capex deteriorating the capital structure leading to gearing to above 1x.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects that the company is expected to sustain its financial and operational performance in the long-term deriving benefits from the promoters' vast experience and long track record of the group.

Detailed description of key rating drivers

Key strengths

Vast experience of promoters and operational track record of more than seven decades

P K Mayan Mohammad (present MD and grandson of the founder Late A. K. Kaderkuty) has been associated with WIPL since 1992 and takes care of the company's day-to-day operations. Since its inception in 1945, WIPL has expanded its operations by diversifying into manufacturing hardboard, plywood, densified wood, pre-compressed board, and softboard. WIPL was the first company to manufacture hardboard in India and it continues to be the market leader in the domestic hardboard industry. WIPL's R&D department is approved by the Department of Science & Industrial Research, Ministry of Science & Technology, Government of India.

Niche player in the domestic hardboard industry backed by diversified customer base

WIPL is one of India's leading manufacturers of hardboard, and the 'WIP' brand is well identified and recognised in the market. In addition, value-added products like densified molded seats for auditorium, restaurants and engineered wood flooring have enabled the company to reinforce its image as a quality manufacturer. Being one of the oldest players in the industry, WIPL enjoys a strong and diversified customer base with the top five customers contributing 14.6% of total sales in FY24 and 15.7% in Q1FY25. A major portion of the company's sales are derived from the hardboard segment (45.8% in FY24 and 42.88% in Q1FY25) in which the company has an established presence. Due to its characteristic properties, hardboard is widely used in chemical packing industries and automobile industry for manufacturing interiors of automobiles.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Diversified product mix backed by flexibility in production

WIPL has an integrated wood complex, and its integrated nature of operations enables WIPL to use the same raw material namely firewood/ timber logs/veneer to manufacture different end products based on market and per customer requirement. This gives WIPL flexibility to manufacture products such as plywood, densified wood and sub segments in these products in specifications ranging from as low as 2mm to 25mm thickness. The units in the plant are engineered to produce both softboard and hardboard as the first process of production alone differs for both the products and the rest of the processes are almost the same. WIPL also has an in-house R&D department, which works on coming up with newer variations of the above products and improving overall quality.

Stable operational performance in FY24

The scale of operations has remained stable with TOI of ₹108.22 crore (PY: ₹107.35 crore) in FY24. The operating cycle of the company improved in FY24 to 96 days (PY: 107 days) primarily considering improvement in the inventory period which stood at 53 days in FY24 as against 62 days in FY23. The company booked income of ₹24.93 crore in Q1FY25 (refers to April 01 to June 30), against ₹23.49 crore in Q1FY24. The company posted a PBILDT margin of 7.48% (PY: 7.87%) in FY24 and 4.09% in Q1FY25 against 5.6% in Q1FY24. The decline in margin is due to the higher repair expenses incurred in March 2024 and April 2024 due to the unexpected breakdown of machinery. The company has increased its softboard capacity on the back of increasing demand in the segment and is expecting growth from this segment in upcoming years. In FY24, the company registered a 95% growth in value and 82% growth in volume against FY23 in the softboard segment. In the plywood segment, the company is focusing on premium variants to drive growth and improve profitability.

Healthy capital structure and comfortable debt coverage metrics

WIPL's capital structure stood healthy with overall gearing of 0.31x as on March 31, 2024 (PY: 0.36x) with minimal reliance on working capital limits. The total debt to gross cash accrual (TDGCA) ratio also stood improved at 2.76x as on March 31, 2024 (PY: 3.03). The interest coverage also stood comfortable at 6.43x in FY24 (PY: 5.84x).

Key weaknesses

Profit margins susceptible to raw material price and forex risk

The primary raw material for manufacturing hardboard is softwood (firewood). For manufacturing plywood, the company depends on timber logs and veneers, with veneer being imported from its Malaysian subsidiary. The firewood and timber logs prices are volatile based on their availability. The company is also exposed to forex risk as it imports a part of its raw materials. However, since the company exports softboards and imports raw material in the same currency, there is a natural hedge in place to a considerable extent.

Exposure to subsidiaries

WIPL has four operating subsidiaries: Kohinoor Sawmill Ltd (KSM), Southern Veneers and Woodworks Limited (SVWL), Era & WIP Timber JV SDN BHD (ERA), and Mayabandar Doors Limited (MDL). KSM, SVWL, and MDL do job work for WIPL, while ERA supplies veneer for WIPL's production. Overall gearing adjusted for exposure to the subsidiaries stood at 0.40x as on March 31, 2024 (PY: 0.46x). All the domestic subsidiaries are engaged in doing job work for WIPL and major portion of their sales are to WIPL.

Liquidity: Adequate

The company's liquidity is adequate, marked by sufficient expected cash accruals of ₹5.5-6.5 crore in FY25 as against loan repayments of ₹1.19 crore. The company had cash and bank balance of ₹9.22 crore as on March 31, 2024. The current ratio stood comfortable at 2.52x. WIPL's nature of business requires a wide range of finished stock to be held as inventory due to diverse product offerings of categories. Operating cycle improved to 96 days (PY: 107 days). WIPL has working capital limits of ₹12.00 crore, the average utilisation of which stood at 9.9% in the 12 months ending July 2024.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic Indicator	Sector	Industry	Basic Industry
Commodities	Forest materials	Paper, forest & jute products	Forest products

Established in 1945 by late A.K. Kaderkutty, WIPL is engaged in manufacturing hardboards, plywood, densified wood, pre-compressed boards, and furniture. The company is one of the few largest integrated wood complexes in the country with an installed capacity of 34750 TPA of hardboard, 12,000 TPA of softboard, 25 lakh sq metre of plywood, 3,500 TPA of densified wood, and 750 TPA of pre-compressed board as of September 2024. WIPL has three domestic subsidiaries doing job work for the company and one subsidiary company in Malaysia, which commenced operations in February 2012 and supplies veneers (raw material) to WIPL. The company is managed by P.K. Mayan Mohammad (Managing Director and grandson of Late A.K. Kaderkutty).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	30 June 2024(UA)
Total operating income	107.09	108.22	24.93
PBILDT	8.19	8.10	1.02
PAT	4.13	3.82	0.25
Overall gearing (times)	0.36	0.31	NA
Interest coverage (times)	5.66	6.43	3.92

A: Audited UA: Unaudited NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

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 and Rating Outlook
Fund-based - LT-Cash credit		-	-	-	12.00	CARE BBB; Stable
Fund-based - LT-Term loan		-	-	October 2026	0.00	Withdrawn
Non-fund-based - ST-Letter of credit		-	-	-	4.00	CARE A3+

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash credit	LT	12.00	CARE BBB; Stable	-	1)CARE BBB; Stable (03-Oct-23)	1)CARE BBB-; Stable (26-Sep-22)	1)CARE BBB-; Stable (01-Sep-21)
2	Fund-based - LT-Term loan	LT	-	-	-	1)CARE BBB; Stable (03-Oct-23)	1)CARE BBB-; Stable (26-Sep-22)	1)CARE BBB-; Stable (01-Sep-21)
3	Non-fund-based - ST-Letter of credit	ST	4.00	CARE A3+	-	1)CARE A3+ (03-Oct-23)	1)CARE A3 (26-Sep-22)	1)CARE A3 (01-Sep-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash credit	Simple
2	Fund-based - LT-Term loan	Simple
3	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender detailsTo view lender-wise details of bank facilities please [click here](#)

Note on complexity levels of 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 clarifications.

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About us:

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