

## Airo Lam Limited

June 25, 2025

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	21.79 (Reduced from 27.91)	CARE BBB; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	81.75 (Enhanced from 71.75)	CARE BBB; Stable / CARE A3+	Reaffirmed
Short Term Bank Facilities	2.00	CARE A3+	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The ratings assigned to the bank facilities of Airo Lam Limited (ALL) continue to derive strength from vast experience of its promoters, established track record of operations in the laminate industry, moderate profitability, moderate capital structure and adequate liquidity.

The ratings, however, continue to remain constrained on account of its moderate scale of operations, high working capital intensity, deterioration in debt coverage indicators, susceptibility of profitability to volatility in raw materials prices as well as foreign exchange fluctuation and its linkages to cyclical real estate industry.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Volume backed growth in Total Operating Income (TOI) to more than Rs.350 crore while maintaining its profitability.
- Managing its working capital efficiently with improvement in the working capital cycle to less than 90 days on a sustained basis.
- Improvement in debt protection metrics with total debt/gross cash accruals (TD/GCA) of less than 3x and interest coverage of over 5x on a sustained basis.

#### Negative factors

- Decline in scale of operations below Rs.150 crore or PBILDT margin below 7% on sustained basis.
- Moderation in capital structure with overall gearing above 1.25 times.
- Elongation of operating cycle to more than 180 days on a sustained basis.

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) believes that the entity will continue to benefit from its established brand names as well as its presence in diversified geographies which shall enable the company to sustain its operational performance over the medium term.

### Detailed description of key rating drivers:

#### Key strengths

##### Established track record of operations with addition of plywood product line

ALL has an established track record of around one and a half decades in decorative laminates industry and has a wide product offering. It has ISO 9001:2000 certification for management system as well as ISO 14001:2004 certification for environmental management system and ALL is a recognized star export house by the Govt. of India. Company has established network of more than 13 depots, 100 distributors and more than 5 thousand dealers across the nation as well as presence in more than 16 overseas market such as Saudi Arabia, Kuwait, UAE, Israel, Bangladesh and Australia etc. Exports formed ~27% of total sales in FY25. ALL has installed capacity of 72 lakh sheet per annum of laminates. Company also added product line of plywood in FY21 with installed capacity of 67.20 lakh square meters per annum. Overall laminates continue to be main revenue contributor forming 85%-90% of net sales but plywood sales are growing at a healthy rate over past couple of years.

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

### **Moderate capital structure albeit deterioration in debt coverage indicators**

The capital structure of the company remained moderate marked by overall gearing of 1.17x as on March 31, 2025, as against 1.09x as on March 31, 2024. The slight deterioration was on account of increase in working capital borrowings and term debt availed during FY25 for capacity expansion and installation of ground mounted solar plant. Tangible net worth of the company stood moderate at Rs.75.99 crore as on March 31, 2025. Debt coverage indicators marked by PBILDT interest coverage of 2.19 times [PY: 3.73 times] and total debt / GCA of 10.29 times [PY: 6.25 times] in FY25, deteriorated on the back of additional debt availed, resultant higher interest cost and decline in profitability margins in FY25.

### **Moderate profitability**

The PBILDT margin of ALL declined by 215 basis points in FY25, settling at 7.35% compared to 9.50% in FY24. This decrease was primarily due to increased marketing expenses associated with the introduction of dealership royalty program, higher pre-operative costs (marketing and administrative overheads) resulting from delays in capex completion, and minor disruptions during the integration of expansion capex with the existing facility. As a result, the PAT margin also fell to 1.64% in FY25 from 4.04% in FY24.

Margins are expected to improve going forward, supported by the installation of the solar plant of 2.5MW and the stabilization of capex since December 2024.

### **Key weaknesses**

#### **Moderate scale of operations**

During FY25, ALL's TOI remained relatively stable at ₹215.84 crore, compared to ₹204.99 crore in FY24. Laminates accounted for 88% of the TOI in FY25. The sales volume of laminates saw a slight decline of 0.81% during the year, primarily due to temporary operational disruptions caused by the integration of capex with the existing unit and the maintenance-related shutdown of one pressing line for approximately 60 days. In contrast, plywood sales experienced growth, with sales volume and realization increasing by 3.75% and 2.21%, respectively, in FY25. Going forward, TOI is expected to rise in line with the expanded installed capacity and incremental marketing efforts in export market.

#### **Working capital intensive nature of operations**

Laminate business is working capital intensive in nature as its products are made of different types of papers, wide variety of colours and chemicals which necessitates significant investment in raw material inventory. Further, majority of the papers are imported which have lead time ranging from 6 months to 8 months from the date of placement of order. Further, to take care of customer's specific requirement in time, company has to keep raw material (mainly papers) readily available at their site which increases raw material inventory of the company.

Hence, operating cycle of ALL remained elongated to 169 days during FY25 (PY: 154 days) Further, the company has established more than 12 depots [started with 4 depot in FY19 and subsequently increased to 12 till FY25] at its major recipient markets for quick and direct supply of its material to customers. Subsequently, ALL has started maintaining inventory of laminated sheets at these depots and as a result of this, inventory period has gradually increased.

#### **Real estate linked industry and hence, cyclicity affects the business prospects**

The fortunes of the laminates and plywood board industry is linked to the real estate industry which is inherently cyclical in nature. This factor limits the pricing flexibility and bargaining power of ALL and puts pressure on profitability. However, the company has geographically diversified presence in the export market which helps in maintaining the steady growth in revenue.

#### **Susceptibility of profit margin to volatility in raw material price and foreign exchange fluctuation**

Major raw material for the company includes design papers, kraft papers, printed papers, melamine and formaldehyde. Price of design papers, kraft papers and printed papers (65-70% by value) are more stable than price of melamine and formaldehyde, whose prices are linked to crude oil prices. Furthermore, ALL's export revenue was Rs.59.57 crore i.e. ~27% of gross sales in FY25 (FY24: 27%). On other hand, direct import remained ~45-55% of export value, hence, the company is a net exporter and does not follow any active hedging policy. As articulated by the management, ALL hedges ~50% of its net forex exposure and balance remains open. During FY25, ALL reported net forex gain of Rs.1.94 crore as against net forex loss of Rs.0.06 crore in FY24.

#### **Liquidity: Adequate**

Liquidity position of ALL remained adequate as marked by moderate cash accruals as against low debt repayment obligations coupled with moderate liquidity ratio and positive cash flow from operations. ALL is expected to generate sufficient GCA in the range of Rs.13-20 crore annually during FY26-FY28 period as against gross loan repayments of around Rs.3.50-7.00 crore during the same period. Average utilisation of its working capital limits remained moderate at ~80% for the past six months ended March 2025. CFO of the entity increased to Rs.10.55 crore in FY25 (Rs.1.17 crore in FY24) on account of elongation of creditors.

Receivables outstanding for more than six months remained at Rs.14.94 crore as on March 31, 2025 (PY: Rs.14.53 crore). ALL had free cash and balance of Rs.2.13 crore as on March 31, 2025.

### 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
Consumer Discretionary	Consumer Durables	Consumer Durables	Plywood Boards/ Laminates

Prantij (Gujarat)-based, ALL was incorporated on October 22, 2007, and is a listed public limited company promoted by Mr. Pravinbhai N. Patel, Mr. Pravinbhai A. Patel and Mr. Sureshbhai H. Patel. ALL is engaged in manufacturing of laminate sheets and plywood boards which are used in furniture & fixtures. The company is selling its products under the brand names of 'Airolam', 'Classico', 'Ilam', 'Airolite', 'Ilite' and 'Airodoor', while selling plywood under the brand name of 'Airoply' and has established its manufacturing unit at Prantij, Sabarkantha with installed capacity of 72 lacs sheets per annum for laminates and 67.20 lakh square meters per annum for plywood. ALL is a member of India Green Building Council (IGBC) of CII (Confederation of Indian Industry).

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (Pb)
Total operating income	204.99	215.84
PBILDT	19.46	15.85
PAT	8.29	3.54
Overall gearing (times)	1.09	1.17
Interest coverage (times)	3.73	2.19

A: Audited, Pb: Abridged Published; 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

**Detailed explanation of 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-Term Loan		-	-	31/05/2030	21.79	CARE BBB; Stable
Fund-based - LT/ ST-Bank Overdraft		-	-	-	20.00	CARE BBB; Stable / CARE A3+
Fund-based - LT/ ST-Cash Credit		-	-	-	40.50	CARE BBB; Stable / CARE A3+
Non-fund-based - LT/ ST-BG/LC		-	-	-	21.25	CARE BBB; Stable / CARE A3+
Non-fund-based - ST-Loan Equivalent Risk		-	-	-	2.00	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 2025-2026	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
1	Fund-based - LT/ST-Cash Credit	LT/ST	40.50	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (04-Jul-24)	1)CARE BBB; Stable / CARE A3+ (29-Jun-23)	-
2	Non-fund-based - LT/ ST-BG/LC	LT/ST	21.25	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (04-Jul-24)	1)CARE BBB; Stable / CARE A3+ (29-Jun-23)	-
3	Fund-based - LT-Term Loan	LT	21.79	CARE BBB; Stable	-	1)CARE BBB; Stable (04-Jul-24)	1)CARE BBB; Stable (29-Jun-23)	-
4	Non-fund-based - ST-Loan Equivalent Risk	ST	2.00	CARE A3+	-	1)CARE A3+ (04-Jul-24)	1)CARE A3+ (29-Jun-23)	-
5	Fund-based - LT/ST-Bank Overdraft	LT/ST	20.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (04-Jul-24)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/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-Term Loan	Simple
2	Fund-based - LT/ ST-Bank Overdraft	Simple
3	Fund-based - LT/ ST-Cash Credit	Simple
4	Non-fund-based - LT/ ST-BG/LC	Simple
5	Non-fund-based - ST-Loan Equivalent Risk	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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