

Century Extrusions Limited

December 22, 2020

Ratings

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

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Century Extrusions Limited (CEL) to monitor the rating(s) vide e-mail communications/letters dated August 17, 2020, December 07, 2020 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. Further, Century Extrusions Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on CEL's bank facilities will now be denoted as **CARE BB+;Stable/CARE A4+; ISSUER NOT COOPERATING***.

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 takes 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 FY20 (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 October 03, 2020 the following were the rating strengths and weaknesses (updated for the information available from stock exchange):

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.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

*Issuer did not cooperate; Based on best available information

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 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 ~9.77% to Rs.230.56 crore in FY20 from Rs.255.53 crore in FY19. However, PBILDT margin demonstrated improvement from 4.97% in FY19 to 7.47% in FY20. PAT Margin remained stable at 1.60% in FY20 vis-à-vis 1.57% in FY19.

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. Jhunjunwala, 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 Jhunjunwala 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](#)
[Criteria on assigning outlook and credit watch](#)
[CARE policy on default recognition](#)
[Financial Ratio- Non Financial Sector](#)
[Rating Methodology- Manufacturing Companies](#)
[Liquidity Analysis of Non-Financial sector](#)
[Criteria for short term instruments](#)
[Complexity Level of Rated Instruments](#)
About the Company

Incorporated in 1988, Century Extrusions Ltd (CEL) is part of the Kolkata based Century Group promoted by the Jhunhunwala 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 Jhunhunwala, who has extensive experience of around 25 years in aluminum business.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	255.53	230.56
PBILDT	16.29	17.23
PAT	4.03	3.70
Overall gearing (times)	1.80	1.24
Interest coverage (times)	2.33	2.56

A: Audited

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 company:** Annexure 4**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	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 Guarantees	-	-	-	4.50	CARE A4+; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	38.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	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 (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+ (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+ (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 (03-Oct-19)	1)CARE BBB-; Stable (07-Jan-19)	-
6.	Non-fund-based - ST-Bank Guarantees	ST	4.50	CARE A4+; ISSUER NOT COOPERATING*	-	1)CARE A4+ (03-Oct-19)	1)CARE A3 (07-Jan-19)	-

*Issuer did not cooperate; Based on best available information

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

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the 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 Guarantees	Simple
5.	Non-fund-based - ST-Credit Exposure Limit	Simple
6.	Non-fund-based - ST-Letter of credit	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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