



## Rating Rationale

### Assam Roofing Limited

07-Feb-2019

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 91.80 Crores of Assam Roofing Limited ('ARL' or 'the Company').**

#### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Apr, 2018)	Present
Fund based	71.22	81.80	Long Term	BWR A- (Pronounced as BWR Single A Minus) (Outlook:Stable)	Reaffirmed at BWR A- (Pronounced as BWR Single A Minus) (Outlook:Stable)
Non Fund Based	10.00	10.00	Short Term	BWR A2+ (Pronounced as Single A Two Plus)	Reaffirmed at BWR A2+ (Pronounced as Single A Two Plus)
<b>Total</b>	<b>81.22</b>	<b>91.80</b>	<b>₹ Ninety One Crores Eighty Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

#### Ratings: Reaffirmed

##### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY18 and projected financials of FY19 & FY20, publicly available information and information/clarification provided by the Company's management.

The rating continues to derive strength from promoters experience for more than four decades and continue to maintain established market position of the Assam Roofing Group in North Eastern India, a significant market share in both the Asbestos Cement (AC) as well as the Galvanized Corrugated (GC) sheet roofing and comfortable liquidity position. The rating also factors in backward integration for manufacture of cold rolled (CR) coils for the GC sheet roofing through a group company (PDP Steels Ltd) which aids in better quality control, logistics and efficiency of operations and supports the profitability of the group. However, the rating is constrained by relatively moderate scale of operation and net worth, geographic concentration risk, recent volatility associated with raw material and finished goods prices and working capital intensive nature of operations. The rating reflects the position of the Company in roofing segment. Being a raw material intensive business where prices are volatile, the Company's profitability is linked to its ability to pass it on to end consumers at least to some extent. Going forward,



the Company's ability to improve scale of operations & profitability margin in the competitive industry, ability to manage the raw material price fluctuation risks and managing working capital efficiently will be key rating sensitivities.

### Description of Key Rating Drivers

#### Credit Strengths:

- **Long track record of promoters and The Company :** The promoters have about four decades of experience in the roofing segment in North East region. It has long standing strong distribution network to supply products and further it is supported by backward integration (PDP Steels Ltd). The Company could maintain market share, since regular demand for its product in rural housing development which is peculiar in north east region which is exposed to natural calamities.
- **Group Support:** The Assam Group is consist of four companies (Assam Roofing Limited, North East Roofing Private Limited , Afflatus Trading Private Limited and PDP Steels Limited), promoted by Mr Bhagirath Pasari and family. Its integrated companies are manufacturer of Asbestos Cement Sheets (ACS) and Galvanized Steel Sheets (GSS) to the roofing industry. Since 1978, it is considered to be amongst the largest suppliers of such products in North Eastern India with Galvanized Steel Sheet contributing to around 75% of the Group's total sales and mainly focused in North Eastern region. Its sales revenues are carried out through the group's extensive distributor network. The group's manufacturing facilities are located in Guwahati, Assam.
- **Financial Performance:** The Company continues to perform steadily for last three years and is able to maintain market position in North East region as well as better profitability than other players. In FY18, in the absence of regular supply from leading manufacturer, its revenue and PAT has increased. At this juncture, the company is not having any long term debt and only working capital facilities and comfortable coverage ratios and gearing for last three years. However, in FY19, it continue to maintain same scale as in FY17. On provisional basis, the Company has reported operating income of ₹ 194.19 Crs in HIFY19.
- **Comfortable Liquidity position :** In FY18, Net cash accruals stands at ₹ 22.48 Crs, there is ₹ 10.70 Crs of long term borrowings & working capital stands at ₹ 35.08 Crs and cash and cash equivalent stands at ₹ 1.63 Crs. Further, the Company continue to maintain high financial flexibility as reflected in utilization of working capital is in the range of 50-60% for last six months in FY19. However, during FY19, the Company has taken additional working capital facilities for maintaining enough raw material to mitigate any adverse situation due to delay in transportation . Also, the promoters has ability to provide capital as and when required.

#### Credit Risks:

- **Relatively Moderate Scale of operations :** Although, the Company's performance is improving trend but its scale of operation is relatively limited to North East region which restricts its growth potential and product portfolio.
- **Susceptibility to raw material price :** Although the Company's profitability margin has improved but susceptibility of raw material price is continue to be, however, since it is well known brand in North East region, some extent it could pass on to retailers.



### **Analytical Approach**

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

### **Rating Outlook: Stable**

BWR believes the **Assam Roofing Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **About the Company**

Assam Roofing Ltd (ARL) is the flagship Company of Assam Roofing Group (Includes Assam Roofing Ltd, PDP Steel Ltd, North East Roofing Pvt Ltd and Afflatus Trading Pvt Ltd) was incorporated in 1972 and commenced operations in April, 1978. It is promoted by Mr Bhagirath Pasari, having a long track record of over four decades of experience in the roofing industry. Its manufacturing facility is located at Guwahati, Assam.

ARL is engaged in the manufacture of Asbestos Cement (AC) Sheets and Galvanized Corrugated (GC) Sheets for roofing industry. The Company has an installed capacity to produce 58,126 TPA of asbestos-cement corrugated sheets and 60,140 TPA of galvanized steel sheets. The Company has strong presence in the North Eastern India and North Bengal which is supported by strong distributors' network and it is well known brand of "RHINO".

### **Group Profile:**

The Assam Roofing Group ( consisting of 4 companies, Assam Roofing Limited, PDP Steels Limited, North East Roofing Private Limited and Afflatus Trading Private Limited) promoted by Mr Bhagirath Pasari and his family has been engaged in manufacturing of Asbestos-Cement Corrugated (AC) sheets and Galvanized steel Corrugated (GC) sheets for the roofing industry since 1972. The group is considered to be the largest suppliers of such kind of products in North Eastern India with a current installed capacity of 1,08,000 TPA in the AC sheet segment and ~60,000 TPA in the GC sheet segment. Its manufacturing unit is located in Guwahati, Assam. The group has been operating under a common management.

### **Company Financial Performance**

The Company has recorded operating income of ₹ 433.08 Crs against ₹ 294.98 Crs in FY18 registering a 32% increase over the previous year and PAT of ₹ 16.98 Crs against ₹ 7.18 Crs in FY18.

### Key Financial Indicators

Key Parameters	Units	FY17 (A)	FY18 (A)
Operating Revenue	₹ Crs	294.98	433.08
EBITDA	₹ Crs	21.88	31.32
PAT	₹ Crs	7.83	16.98
Tangible Net worth	₹ Crs	70.13	86.95
Total Debt/Tangible Net worth	Times	1.25	0.55
Current Ratio	Times	1.34	1.81

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	26-Mar-2018	05-Apr-2017	07-Apr-2016
1	Fund Based	Long Term	81.80	BWR A- (Pronounced as BWR Single A Minus) (Outlook:Stable)	BWR A- (Pronounced as BWR Single A Minus) (Outlook:Stable)	BWR A- (Pronounced as BWR Single A Minus) (Outlook:Stable)	BWR A- (Pronounced as BWR Single A Minus) (Outlook:Stable)
2	Non Fund Based	Short Term	10.00	BWR A2+ (Pronounced as Single A Two Plus)	BWR A2+ (Pronounced as Single A Two Plus)	BWR A2+ (Pronounced as Single A Two Plus)	BWR A2+ (Pronounced as Single A Two Plus)
<b>Total</b>			<b>91.80</b>	<b>₹ Ninety One Crores Eighty Lakhs Only</b>			

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)



For any other criteria obtain hyperlinks from website

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**Assam Roofing Limited**

**Bank Facilities**

**Annexure I**

Type of Facility (₹ in Crs)		State Bank of India
Fund Based	Cash Credit	81.80
<b>Long Term Total</b>		<b>81.80</b>
Non Fund Based	Bank Guarantee / Letter of Credit	10.00*
<b>Short Term Total</b>		<b>10.00</b>
<b>Total (Short &amp; Long)</b>		<b>91.80</b>

**\*With 100% one way interchangeability between LC to BG**

**For print and digital media**

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**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).



### **About Brickwork Ratings**

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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