

Rating Rationale

Brickwork Ratings assigns ‘BWR A-’ & ‘BWR A2+’ for the Bank Loan Facilities aggregating ₹ 82.12 Cr of Assam Roofing Limited.

Brickwork Ratings has assigned the following **Ratings**¹ to Bank Loan facilities of Assam Roofing Limited (ARL).

Facility	Limits (₹ Cr)	Tenure	Ratings
<u>Fund Based:</u>			
Cash Credit	56.00	Long Term	BWR A- (BWR A Minus) (Outlook : Stable)
Term Loan	15.12		
<u>Non Fund Based:</u>			
Bank Guarantee/LC	6.00	Short Term	BWR A2+ (BWR A Two Plus)
SLC**	5.00		
Total	82.12	(INR Eighty Two Crores & Twelve Lakhs Only)	

(** SLC will be availed as either FB or NFB limits, in whole or in part based as per the requirement of the Company)

BWR has essentially relied upon ARL’s audited financial results up to FY13, projected financials of FY 14 & FY15, and information and clarifications provided by the Company.

The ratings assigned to the bank facilities of *Assam Roofing Limited* (ARL) factors primarily over three decades of experience of the promoters, the established market position of the Assam Group in North East India, long-standing customer and suppliers’ relationship, a significant market share in both the Asbestos Cement (AC) as well as the Galvanized Corrugated (GC) sheet roofing. It also factors in the growth in turnover in the last three years, moderate net worth and completion of the new GC line. 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 (PSL) which aids in better quality control, logistics and efficiency of operations and supports the profitability of the group. Further, the fiscal benefits received by the group under the NEIIPP 2007 also contribute to the profitability. However, the rating is constrained by a marginal dip in profitability in FY13; volatility associated with raw material and finished goods prices and working capital intensive nature of operations.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Background:

Assam Roofing Ltd (ARL) which is the flagship Company of Assam Roofing Group (comprising of 04 companies namely: 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. The Company is promoted by Mr. Bhagirath Pasari, having a long exposure of over three decades in manufacturing in the roofing industry. The manufacturing facility is located at Guwahati, Assam. ARL is engaged in the manufacture of Asbestos Cement (AC) Sheet and Galvanized Corrugated (GC) Sheet for roofing industry. The company has an installed capacity to produce 58,426 tonnes per annum (tpa) of asbestos-cement corrugated sheets and 32,140 tpa of galvanized steel sheets and recently it has installed another GC line to produce 28,000 TPA.

PDP was commissioned in 2006-07, as a backward integration for the operations of ARL. PDP has an installed capacity to produce 59,076 tpa of CR coils. NERPL, commissioned in 2007-08, has an installed capacity to produce 54,000 tpa of asbestos-cement corrugated sheets. ATPL is a wholly owned subsidiary of Assam Roofing Limited commenced commercial operations only in the second-half of 2012-13, to undertake import of certain raw materials, including zinc and asbestos fiber, required by the Group for captive consumption in the manufacture of roofing sheets.

The products of ARL are marketed under the brand name 'Rhino' through its North Eastern India and North Bengal region dealers and distributors. The Group has a market share of 75% for the north east region for AC Sheet Segment and 30% for the GC sheet.

Management

ARL is a listed company with the promoters holding 98.90% of equity. The company is managed by three directors including Mr. Bhagirath Pasari, the Managing Director having over four decades of experience in the industry. Other Key Directors are Mr. Sajjan Pasari and Mr. S. R Daga both have over 04 decades of experience. The group operates under a common management.

Financial Performance:

The Company reported a revenue increase from ₹295.06 Cr in FY'12 to ₹343.43 Cr in FY13 resulting in 11.87% growth over the period. The profit generation of the company was adequate to service the interest service/ debt obligation against the loan amount, although it marginally declined during FY13 against FY12. ARL has shown a Moderate Debt and Interest servicing capacity. DSCR ratio was at 1.56 x in FY 2012 and improved at 1.58x in FY 2013. The liquidity profile of ARL was moderately stretched due to lower cash accruals, as indicated by the low current ratio and high level of working capital borrowings. It has occurred due to the company's recently completed capacity expansions (addition to GC Line manufacturing).

Moreover, though the GC Sheets Line was completed, benefits of expansion could not be enjoyed as the capacity is to be commissioned in FY 14, addition to GC Line would boost up the sales and profitability in the near future. However, in the current year the Co is expecting to improve its net cash accrual level by utilizing the optimum level of capacity utilization and efficient use of working capital. Till Dec'13 ARL's turnover stood at ₹221.82 Cr approximately which is in line with the projected number for FY'14.

Rating Outlook:

Company's operations over the next year are expected to be stable. Being a raw material intensive business where prices are volatile, the Company's profitability is linked to their ability to pass it on to end consumers. Raw material inventory position also increases working capital needs, and consequent interest costs. Hence, timely commencement of operations in the new GC line, improvement in scale of operations & profitability in the competitive industry, ability to manage raw material price risk, and managing working capital efficiently are the key rating sensitivities.

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