

## Rating Rationale

**Brickwork Ratings reaffirms BWR A- (Outlook: Stable) rating for the Long term Bank Loan facilities ₹ 77 Cr and A2+ for Short term Bank Loan facilities of ₹ 6 Cr for Assam Roofing Limited**

Brickwork Ratings has reaffirmed the **Rating<sup>1</sup>** of **Assam Roofing Limited's** (ARL or the 'Company') Long Term fund based and Non fund based short term bank loan facilities at ₹83 Cr at **BWR A- (Outlook:Stable) / A2+** sanctioned by State Bank of India.

Facility	Present Amount (₹ Cr)	Previous Rating (₹ Cr)	Tenure	Present Rating	Previous Rating
Cash Credit	<b>68.00</b>	68.00	Long Term	<b>Reaffirmed BWR A- (Pronounced BWR Single A Minus) (Outlook – Stable)</b>	BWR A- (Pronounced BWR Single A Minus) (Outlook – Stable)
Term Loan	<b>9.00*</b>	9.13			
Letter of Credit / Bank Guarantee	<b>6.00**</b>	6.00	Short Term	<b>Reaffirmed BWR A2+ (Pronounced BWR A Two Plus)</b>	BWR A2+ (Pronounced BWR A Two Plus)
SLC	<b>0.00</b>	5.00			
<b>Total</b>	<b>83.00</b>	88.13	<b>(INR Eighty Three Crores Only)</b>		

***\*Proposed Loan and \*\* fully interchangeable between LC & BG***

BWR has principally relied upon the audited results up to FY15 and projected financials up to FY18, publicly available information and information/clarifications provided by the Company's management.

The rating has factored, inter alia, over three decades of experience of the promoters, the established market position of the Assam Roofing 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. 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 low scale of operation and net worth, geographic and product concentration risk, recent volatility associated with raw material and finished goods prices and working capital intensive nature of operations.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

**Background:**

Assam Roofing Ltd (ARL) which 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. The Company is promoted by Mr. Bhagirath Pasari, having a long track record of over four decades of manufacturing in the roofing industry. The 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 58,426 TPA of asbestos-cement corrugated sheets and 32,140 TPA of galvanized steel sheets and recently it has installed another GC line to produce ~30,000 TPA.

The Company has very strong presence in the North Eastern India and North Bengal with support of strong distributors' network and it is well known brand of "RHINO".

**Management Profile:**

The Company is managed by four directors including Mr. Bhagirath Pasari, the Managing Director having over four decades of experience in the industry. Other Key Directors are Mr. Sajjan Kumar Pasari, Mr. Aravind Prasad, and Mrs. Indu Adukia. The group operates under a common management. It is closely held with group of people who are all business friends but has also professionals in the Company.

**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 materials 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. The manufacturing facilities are located in Guwahati, Assam. The group has been operating under a common management.

**Afflatus Trading Private Limited (ATPL):** ATPL was incorporated in 2010, is a wholly owned subsidiary of Assam Roofing Limited (ARL) promoted by Mr. Bhagirath Pasari and Mr. Ramesh Kumar Laddha. The main objective of the Company is to import certain raw materials, including zinc ingots and asbestos fiber, required by the Group for captive consumption in the manufacture of roofing sheets by the Assam Roofing Group (Includes Assam Roofing Ltd, PDP Steels Ltd and North East Roofing Pvt.). The Company is located in Guwahati, Assam.

Currently, it imports asbestos fiber and Zinc Ingot etc. for manufacturing of Group's Roofing Sheet. ATPL is not involved in any other trading activity other than related to group.

**PDP Steels Limited:**

PDP Steels Limited was incorporated in 1996 as a limited company and CR rolling mill was started in 2006 in Guwahati, Assam. The Company is into manufacturing of CR coil and CR sheet, this is essentially a backward integration to existing continuous galvanizing line of Assam Roofing Limited. Majority of products are sold to Assam Roofing Limited for their galvanizing line and has installed production capacity of 59,076TPA.

**North East Roofing Private Limited:** The Company was incorporated in 2007 by Mr Bhagirath Pasari. The Company is into manufacturing of Asbestos-cement and corrugated sheets with installed capacity of 50000TPA in Guwahati, Assam. It is the further extensive unit of Assam Roofing Group for manufacturing of Asbestos Corrugated Sheet.

**Financial Performance:**

The net revenue from operations increased from ₹ 317.34 Crs in FY14 to ₹ 319.53 Crs in FY15. The Company has reported net profit margin of 1.78 per cent and operating margin of 5.55 per cent for FY15. The debt equity ratio is at 1.60 times and the total Net Worth stood at ₹ 58.86 Cr.

**Rating Outlook:**

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 their ability to pass it on to end consumers at 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.

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