



## Rating Rationale

Assam Roofing Ltd

26 March 2018

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 81.22 Crores of Assam Roofing Ltd (ARL or the ‘Company’).**

### Particulars

Facility Rated	Amount (₹ Crs)	Amount (₹ Crs)	Tenure	Ratings*	
	Previous	Present#		Previous (5-04-2017)	Present
Fund Based	83.47	71.22	Long Term	BWR A- (Outlook:Stable)	Reaffirmed BWR A- (Outlook:Stable)
Non – Fund Based	6.00	10.00	Short Term	BWR A2+	Reaffirmed BWR A2+
Total	89.47	81.22	(Rupees Eighty One Crores Twenty Two Lakhs Only)		

^ 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:

The rating continues to derive strength from promoters experience for more than four decades, 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 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).
- **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 units manufacture Asbestos Cement Sheets (ACS) and Galvanized Steel Sheets (GSS) for the roofing industry. Since 1978, it is considered to be amongst the largest suppliers of such materials 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. It continues to perform well in FY18 also.

#### **Credit Risks:**

- **Low Scale of operation :** Although, the Company's performance is improving trend but its scale of operation is limited to North East region which restricts its growth potential and product portfolio.
- **Susceptibility to Raw material price fluctuation :** During FY17, although the Company's profitability margin has improved due to raw material price fluctuations but capacity utilization has declined due to low utilization of AC sheet. However, the Company has regular demand for its product in rural housing development which is peculiar in north east region which is exposed to natural calamities.

### **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 Ltd** 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) 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 experience 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 60,140 TPA of galvanized steel sheets.

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".

**Company Financial Performance**

The Company has recorded operating income of ₹ 294.98 Crs against ₹ 297.82 Crores in FY17 registering a 1% decline over the previous year and PAT of ₹ 7.18 Crs against ₹ 6.70 Crs in FY17.



**Rating History for the last three years (including withdrawn/suspended ratings)**

SI No	Instrument/ Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Date & Rating assigned in 5-4-17	Date & Rating assigned in 7-4-16	Date & Rating assigned in 1-4-15
1	<b>Fund Based</b>	Long Term	71.22	<b>BWR A- (Stable)</b>	BWR A- (Stable)	BWR A- (Stable)	BWR A- (Stable)
2	<b>Non Fund Based</b>	Short Term	10.00	<b>BWR A2+</b>	BWR A2+	BWR A2+	BWR A2+
		Total	81.22	<b>₹ Eighty One Crores Twenty Two Lakhs Only</b>			

**Assam Roofing Limited**

**Annexure I**

Type of Facility (₹ in Crs)		State Bank of India (22-3-2017)
Fund Based	Cash Credit	65.00
	Term Loan	6.22
<b>Long Term Total</b>		<b>71.22</b>
Non Fund Based	Bank Guarantee	10.00
	Letter of Credit	
<b>Short Term Total</b>		<b>10.00</b>
<b>Total (Short &amp; Long)</b>		<b>81.22</b>



**Assam roofing Limited**  
**Key Financial Indicators**

Key Parameters	Units	2016	2017
<b>Result Type</b>			
Operating Revenue	₹ Crs	297.82	294.98
EBITDA	₹ Crs	17.49	20.52
PAT	₹ Crs	6.70	7.18
Tangible Net worth	₹ Crs	63.65	70.83
Total Debt/Tangible Net worth	Times	1.20	1.23
Current Ratio	Times	1.61	1.35

**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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**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**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

**DISCLAIMER**

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