

Rating Report

Brickwork Ratings reaffirms 'BWR A-/A2+' Ratings for the Enhanced Bank Credit Facilities of ₹ 88.13 Cr of Assam Roofing Limited.

Brickwork Ratings has reaffirmed the following **Ratings**¹ to Enhanced Bank Credit facilities amounting to ₹ 88.13 Cr of **Assam Roofing Limited (ARL)**.

Facility	Previous Limits (₹ Cr)	New Limits (₹ Cr)	Tenure	Rating
Term Loan	10.93	9.13	Long Term (Fund Based)	Reaffirmed at BWR A- (Outlook-Stable) (Pronounced as BWR A minus)
Cash Credit	62.00	68.00		
LC	6.00	6.00	Short Term (Non Fund Based)	Reaffirmed at BWR A2+ Pronounced as BWR A Two Plus)
SLC	5.00	5.00		
Total	83.93	88.13	INR Eighty Eight Crores and Thirteen lacs only	

BWR has essentially relied upon ARL's audited financial results up to FY14, projected financials for FY15 and FY16, 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 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 (PSL) which aids in better quality control, logistics and efficiency of operations and supports the profitability of the group. However, the rating is constrained by geographic concentration risk, volatility associated with raw material and finished goods prices and working capital intensive nature of operations.

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.

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

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 tonnes per annum (tpa) of asbestos-cement corrugated sheets and 32,140 tpa of galvanised steel sheets and recently it has installed another GC line to produce 28,000 tpa.

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. Sajan Pasari and Mr. Arvind Prasad both have over 04 decades of experience. The group operates under a common management.

Group Profile

The Assam Group (consisting of 04 companies, Assam Roofing Ltd, PDP Steels Ltd, North East Roofing P Ltd and Afflatus Trading P Ltd) promoted by Mr. Bhagirathi 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 in North Eastern India with a current installed capacity of 1,12,426 TPA in the AC Sheet Segment and 32,140 TPA in the GC sheet segment. The manufacturing facilities are located in Guwahati, Assam. The products of ARL are marketed under the brand name 'Rhino' in North Eastern India and North Bengal region through 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.

The group has been operating under a common management. Approximately 85-90% of the group's sales in FY14 were generated from the sale of GC Sheets; in North Eastern India although market share is approx. 30% for the same.

- PDP Steels Limited: PDP Steels Limited has set up Cold Rolling Mill (4 Hi Mills, Hitachi make) in Guwahati, Assam which commenced production in April 2006. This is essentially a backward integration to existing continuous galvanizing line of Assam Roofing Limited. The Company is selling its production to Assam Roofing Limited for their galvanizing line. The company is well secured for its raw material, HR Coils, by way of an MOU with SAIL.
- North East Roofing Pvt. Ltd: North East Roofing's Asbestos Cement plant commenced production in July 2007. With strong brand image and strong dealer network, the

Company has shown a healthy result in first year of operation. With new production facility in this company the group control more than 75% market share in the north eastern region. The manufacturing facility is located at Guwahati, Assam.

- **Afflatus Trading P Ltd:** Incorporated in June 2010, for the group’s trading activities, the company was formed and commercial activity started in FY’13. Assam Roofing Ltd has provided the corporate Guarantor for the Company’s banking exposure (LC) of ₹8.00 Crs.

Financial Performance:

The Company reported net sales of Rs 317.34crs in FY14, a marginal increase from ₹312.40 Crs in FY13. The company has reported a PAT of Rs 6.97crs in FY14 as compared to Rs 6.86crs in FY13. The company has comfortable debt protection metrics as reflected in its ISCR of 2.12x and DSCR of 1.45x for FY14. As on 31st March, 2014, the tangible Networth stood at Rs. 53.37crs against total debt of Rs. 96.54crs resulting in a high gearing of 1.81x. Operating profit margin has increased from 5.25% in FY13 to 6.53% in FY14. The company has a current ratio of 1.32x for FY14.

As per the unaudited financials for the 9 months ended on 31st Dec, 2014, the company has achieved a turnover of Rs.210crs and has reported a PBT of Rs.6.11crs.

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 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.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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Annexure I: Profit & Loss Account – Assam Roofing Limited

₹ in Crores	FY'12	FY '13	FY'14
Result Type	Audited	Audited	Audited
Gross Sales	295.06	343.43	348.58
Excise Duty/Sales Tax	23.12	31.03	31.23
Net Sales	271.94	312.40	317.34
Total Operating Income	271.94	312.40	317.34
Raw Material Consumed	234.46	277.57	277.41
Change In Inventory (Increase)/Decrease	3.39	-6.62	-7.20
Traded Goods Purchased	0.00	0.00	1.24
Power and Fuel Expenses	4.91	8.45	7.31
Employee Cost	3.96	5.76	6.88
Manufacturing Expenses	1.70	2.17	2.49
Cost of Goods Sold	248.43	287.32	288.14
Selling, General and other Admin exp.	7.02	8.68	8.48
Operating Expenses	255.45	296.01	296.62
OPBDIT	16.50	16.39	20.72
Depreciation/Amortization/Impairment	3.24	2.90	2.69
OPBIT	13.26	13.49	18.03
Interest and Finance Charges	5.01	7.04	9.78
OPBT	8.25	6.45	8.25
Non- Operating Income(Expenses)	1.28	1.79	0.51
PBT	9.54	8.24	8.77
Provision for Taxes	2.21	1.38	1.79
PAT	7.33	6.86	6.97

Annexure II: Balance Sheet – Assam Roofing Limited

₹ in Crores	FY'12	FY'13	FY'14
Liabilities	Audited	Audited	Audited
EQUITY AND RESERVES	39.60	46.43	53.37
Share Capital	0.66	0.66	0.66
Pref. Share Capital/Quasi Equity	1.10	1.10	1.10
Reserves and Surplus	37.85	44.68	51.62
Non-current liabilities	26.08	37.07	37.46
Long-Term Borrowings	25.27	36.59	36.76
Deferred tax Liabilities (Net)	0.39	0.10	0.06
Other Long Term liabilities	0.28	0.20	0.22
Long-Term Provisions	0.14	0.18	0.42
Current liabilities	79.82	95.86	95.48
Short-Term Borrowings	37.03	49.37	54.59
CPLTD	3.62	3.67	5.18
Trade Payables	36.67	39.17	32.22
Other Current Liabilities	1.80	2.88	0.92
Short-Term Provisions	0.70	0.75	2.57
Total Liabilities	145.50	179.36	186.32
ASSETS			
Non-current assets	53.69	58.08	60.48
Net Fixed assets	23.70	21.41	19.48
Capital Work-In-Progress	28.87	34.95	39.37
Non-Current Investments	0.11	0.07	0.07
Long Term Loans & Advances	1.00	1.64	1.56
Other Non-Current Assets	0.00	0.00	0.00
Current assets	91.82	121.28	125.84
Inventories	46.56	61.41	62.40
Trade Receivables > Six Mo	0.25	0.33	0.03
Trade Receivables < Six Months	36.49	43.95	50.42
Cash and Cash Equivalents	1.62	2.49	1.76
Short-Term Loans & Advances	1.49	3.23	1.78
Other Current Assets	5.40	9.87	9.45
Total Assets	145.50	179.36	186.32