

## Press Release

### Shankar Roofing Systems

December 04, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 6.00 Cr.
<b>Long Term Rating</b>	ACUITE B / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 6.00 crore bank facilities of Shankar Roofing Systems (SRS). The outlook is '**Stable**'.

Established in 2011, Shankar Roofing System is a partnership firm engaged in manufacturing of pre-painted galvanized iron sheet. The day to day operations are managed by its partners, Mr. Shankar Suvarna and Mrs. Suguna Shankar. Shankar Suvarna. The firm has two manufacturing unit, one in Mysore and another in Manipal. Both of them have a capacity of 300 to 310 tonnes month day.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SRS to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experience management**

SRS commenced operations from 2011. The firm is promoted by its partners, Mr. Shankar Suvarna and Mrs. Suguna Shankar. Mr. Shankar Suvarna has an experience of around three decades in the fabrication industry while Mrs. Suguna Shankar has experience of around a decade in the steel industry. The extensive experience has enabled the company forge healthy relationships with customers and suppliers. Acuité believes that SRS will continue to benefit from its experienced management and established relationships with customers and suppliers.

#### Weaknesses

- **Moderate working capital operations**

SRS has moderate working capital operations marked by Gross Current Assets (GCA) of 164 days in FY2018 as against 109 days in FY2017. The inventory and debtor levels stood at 77 days and 69 days in FY2018 as against 47 days and 61 days in FY2017, respectively. The firm maintains inventory to cater to the spot orders and extends clean credit of around 90 days to dealers. As a result, the average utilisation of bank limits stood at ~100 percent in the last six months ending October 31, 2018. Acuité believes that the working capital requirements will continue to remain moderate over the medium term on account of inventory levels which the firm has to maintain and clean credit given to dealers.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by modest net worth and moderate debt protection measures and gearing. The net worth is modest at Rs.3.27 crore as on 31 March, 2018 as against Rs.2.98 crore as on 31 March, 2017. The gearing of the company has stood moderate at 1.89 times as on March 31, 2018 as against 1.13 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.31 times as on 31 March, 2018 as against 1.72 times as on 31 March, 2017. The moderate revenue levels coupled with stable operating margins have resulted in moderate debt protection measures. Interest Coverage Ratio (ICR) stood at 2.20 times in FY2018 as against 2.37 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.08 times as on 31 March, 2018 as against 0.16 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) deteriorated to 1.94 times in FY2018 from 2.22 times in FY2017.

- **Competitive and fragmented nature of business**

The firm operates in a highly competitive and fragmented industry dominated by organised and unorganised players, limiting the bargaining power of the firm.

**Outlook: Stable**

Acuité believes that SRS will maintain a 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in SRS's operating income or profitability, while maintaining its working capital cycle and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

**About the Rated Entity - Key Financials**

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	19.95	19.27	18.45
EBITDA	Rs. Cr.	1.17	0.93	1.10
PAT	Rs. Cr.	0.29	0.28	0.28
EBITDA Margin (%)	(%)	5.85	4.81	5.94
PAT Margin (%)	(%)	1.45	1.47	1.49
ROCE (%)	(%)	12.31	13.29	29.27
Total Debt/Tangible Net Worth	Times	1.89	1.13	1.23
PBDIT/Interest	Times	2.20	2.37	2.34
Total Debt/PBDIT	Times	5.20	3.19	2.74
Gross Current Assets (Days)	Days	164	108	77

**Status of non-cooperation with previous CRA (if applicable)**

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

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

<https://www.acuite.in/criteria-complexity-levels.htm>

**Rating History (Upto last three years)**

Not Applicable

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B / Stable

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### About Acuité Ratings & Research:

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