

Press Release

Royal Uniforce Roofings Private Limited

October 12, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs.25.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.25.00 crore bank facilities of Royal Uniforce Roofings Private Limited. The outlook is '**Stable**'.

About the company

Nagpur-based Royal Uniforce Roofings Private Limited (RURPL) was incorporated in 2009 and is Mr. Shyam Sundar Sharma, Mr. Sadique Ahmed Ansari, Mr. Uday Singh Siriya and Mr. Kuldeep Arora. The company is engaged into manufacturing of Asbestos Cement Sheets and has a manufacturing facility located in Chhindwara, M.P with an annual capacity of 60,000 MT.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of Royal Uniforce Roofings Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

• Experience Management

RURPL was incorporated in 2009 and is engaged in the manufacturing of asbestos cement sheets. The company is headed by Mr. Shyam Sundar Sharma, Mr. Sadique Ahmed Ansari, Mr. Uday Singh Siriya, Mr. Bipin Kumar Sharma and Mr. Kuldeep Arora who have more than a decade of experience in the aforesaid industry. This has helped the company establish a strong market position in the vicinity of Nagpur and Chhindwara region. Moreover, having a presence of more than a decade in the aforementioned industry has helped the company to maintain strong relations with its customers and suppliers.

Acuite believes that the company will continue to derive benefit from its promoter's experience over the medium term and additionally, with government's thrust on housing for all, the demand for asbestos sheets is likely to remain healthy in the near to medium term.

• Moderate financial risk profile

The financial risk profile of the company is moderate, marked by modest net worth, low gearing followed by healthy debt protection metrics. The net worth of the company improved to Rs.21.49 crore as on 31 March, 2020 (Provisional) from Rs.18.35 crore as on 31 March, 2019.

The company has followed a conservative financial policy in the past, the same is reflected through its gearing levels. The peak gearing (debt-equity) level stood at 0.52 during the last three years and it stood at 0.29 times as on 31 March 2020 (Provisional), TOL/TNW (Total outside liabilities- Total net worth) stands low at 0.34 times as on 31 March, 2020 (Provisional). The total debt of Rs.6.32 crore as on 31 March 2020 consist of long term debt of Rs.0.10 crore and working capital borrowings of Rs.6.22 crore. The reduction in debt levels has led to an improvement in the debt protection metrics. The Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood healthy at 4.28 times and 3.98 times, respectively, in FY2020 (Provisional). NCA/TD (Net cash accruals to total debt) stands low

at 0.75 times in FY2020 (Provisional) as against 0.54 times in FY2019. The financial leverage of the company is low marked by debt to EBITDA of 1.03 times in FY2020 (Provisional)

Acuite believes that the financial risk profile of the company is expected to remain healthy backed by moderate net cash accruals and no major debt-funded capex in near to medium term.

- **Moderately working capital intensive nature of operations**

The operations of the company are moderately working capital intensive in nature marked by Gross Current Assets (GCA) of 151 days in FY2020 (Provisional) as against 132 days in the previous year. This is majorly on account of the inventory holding period of 164 days in FY2020 (Provisional) as against 95 days in FY2019. RURPL's average bank limit utilization stood at ~44 percent for past last fifteen-month period ended June, 2020. Current ratio stood healthy 2.32 times as on 31 March 2020 (Provisional) as against 1.72 times as on 31 March 2019.

Weaknesses

- **Modest scale of operations**

The company has been in the aforesaid industry for over a decade. The scale of operations of the company has remained modest marked by operating income at Rs.41.38 crore in FY2020 (Provisional) as against Rs.41.44 crore in FY2019. However, the operating margin stood healthy at 14.78 percent in FY2020 (Provisional) as against 14.90 percent in the previous year. With strong demand drivers and high utilization of production facility. Further, the company's ability to improve its scalability while maintaining its profitability will remain a key credit monitorable.

- **Susceptibility of operations on government policies**

One of the raw material for the company is the asbestos fiber, which has been imported from Russia and Brazil. And the particular material is a carcinogen substance and is not environment friendly. There are government regulation with regards to the production of materials from asbestos, so any changes in the government policies in the future can adversely impact the operations of the company.

Rating Sensitivities

- Higher than expected operating performance while maintaining profitability
- Any deterioration in the working capital cycle and liquidity profile of the company

Material Covenants

None

Liquidity Position: Adequate

RURPL has adequate liquidity profile marked by moderate net cash accruals vis-à-vis its maturing debt obligations. Company generated net cash accruals of Rs.4.73 crore in FY2020 (Provisional) as against debt obligations of Rs.0.11 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.3.98 crore to Rs.4.09 crore during FY2020-23 against repayment obligation of Rs.0.10 crore only in FY2021. RURPL's average bank limit utilization stood at ~44 percent for the last fifteen-month period ended June, 2020. Company maintained unencumbered cash and bank balances of Rs.0.03 crore as on 31 March, 2020 (provisional). The current ratio stands healthy at 2.32 times as on 31 March, 2020 (Provisional).

Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals and a major part of working capital requirements been funded by net cash accruals.

Outlook: Stable

Acuite believes that RURPL will maintain a 'Stable' outlook over the medium term owing to its promoters' experience in the industry. The outlook may be revised to 'Positive' in case the company achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of any decline in operating performance or significant deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	41.38	41.44
PAT	Rs. Cr.	3.13	2.92
PAT Margin	(%)	7.56	7.06
Total Debt/Tangible Net Worth	Times	0.29	0.45
PBDIT/Interest	Times	4.28	3.53

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to 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	10.00	ACUITE BBB-/ Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BBB-/ Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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