



**Press Release**  
**Royal Uniforce Roofings Private Limited**  
**May 30, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BBB-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.50.00 crore bank facilities of Royal Uniforce Roofings Private Limited (RURPL). The outlook is '**Stable**'.

**Rationale for rating reaffirmation**

The rating reaffirmation takes into account steady growth in operating income recorded post the completion of the capex in January 2023, albeit moderation in operating profit margins. The operating income grew to Rs.75.02 Cr. in FY2023 from Rs.45.84 Cr. in FY2022. It is further estimated to remain in the range of ~Rs.90.00 Cr. in FY2024. However, the operating profit margin has deteriorated to 5.87 % in FY2023 from 7.06% in FY2022. The decline is primarily due to increase in material costs; however it is estimated to improve in FY2024.

Further the financial risk profile of the company has recorded moderation due to increase in debt levels due to the capital expenditure undertaken and increased short-term borrowing to support the working capital operations. The gearing levels stood at 1.20 times as of March 31, 2023 against 0.77 times as of March 31, 2022. The debt to EBITDA levels have increased to 5.72 times as of March 31, 2023 from 4.63 times as of March 31, 2022. The debt coverage indicators have also marked moderation due to increased interest costs.

Further, the ratings remain constrained due to the working capital intensive nature of operations of the company.

Going ahead, the ability of the company to sustain growth in its scale of operations while improving its profitability levels and the financial risk profile will remain a key rating monitorable.

**About the Company**

Nagpur-based Royal Uniforce Roofings Private Limited (RURPL) was incorporated in 2009 by 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.

## **Unsupported Rating**

Not Applicable

## **Analytical Approach**

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

## **Key Rating Drivers**

### **Strengths**

#### **Experienced 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 industry has helped the company to maintain strong relations with its customers and suppliers. Acuité 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.

### **Growth in operating income albeit moderation in profitability**

The operating income increased to Rs.75.02 Cr. in FY2023 from Rs.45.84 Cr. in FY2022. The revenue is further estimated to increase to ~ 90.00 Cr. in FY2024. The increase in revenue is primarily on account of increased volumes and realisations. During FY2023, company had undertaken a major capacity expansion. The COD of the same was achieved in January 2023.

However, the operating profit margin declined in FY2023 to 5.87% from 7.08% in FY2022 primarily due to high material cost. However, the same is estimated to improve in FY2024 on account of reduced material cost.

The PAT margin for the company also declined majorly due to higher interest cost as the interest expense was charged to the P&L after the completion of capex. PAT margin stood at 1.91% in FY2023 against 4.03% in FY2022.

Going ahead, the revenue is expected to improve on account of gradual increase in utilisation of the enhanced capacity. However, the improvement of profitability levels along with growth in revenues will remain a key rating monitorable.

### **Weaknesses**

#### **Moderation in financial risk profile**

The financial risk profile of the company recorded a moderation, primarily on account of increase in long term debt due to the capital expenditure undertaken and increase in short-term working capital requirements to support the increased scale of operations.

The net worth of the company stood at Rs. 33.40 crore as of March 31, 2023, as against Rs.28.69 crore as of March 31, 2022. The increase in net worth is due to the accretion of profits to reserves and an increase in USL, which is being considered quasi-equity. The gearing ratio stood at 1.20 times as of March 31, 2023 against 0.77 times as of March 31, 2022. The debt coverage indicators of ICR and DSCR moderated to 3.79 times and 2.89 times in FY2023 against 4.64 times 3.95 times in FY2022 respectively primarily due to increased interest costs.

The total outside liabilities to tangible net worth (TOL/TNW) ratio moderated to 1.34 times in FY2023 as against 0.96 times in FY2022. The debt-EBITDA ratio moderated to 5.72 times in FY2023 against 4.63 times in FY2022 on account of decline in absolute profits and increase in debt levels.

Going ahead, improvement in financial risk profile over the near to medium term backed by gradual repayment of term loans, improvement in revenue and profitability will remain a key monitorable.

#### **Working capital cycle**

The operations of RURPL are working capital intensive in nature, marked by gross current assets (GCA) of 196 days in FY2023 as against 244 days in FY2022. The high GCA days are led by improved yet high inventory days of 130 days in FY2023 against 175 days in FY2022. The inventory levels fluctuate throughout the year basis the procurement of raw materials. Approximately 50% of the raw material is imported, which is mostly the asbestos fibre from Brazil and Ural. The receivables days stood at 7 days as of March 31, 2023, against 25 days in FY2022. The company mostly makes cash sales, but for some older customers, period of 7–10 days is extended. Creditor days stood at 21 days in FY2023 against 33 days in FY2022. The company makes advance payments for imports and receives 7–10 days of credit for local procurement. The reliance on working capital limits remained at moderate levels at 77.23% for

the last 12 months ending April 2024. Going forward, the working capital operations of the company are expected to remain in similar range over the medium term.

### **Susceptibility of operations on government policies**

One of the raw materials for the company is the asbestos fibre, which has been imported from Russia and Brazil. And the particular material is a carcinogen substance and is not environment friendly. The mining of the same is banned by the government. There are government regulations 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

### **Liquidity Position**

#### **Adequate**

Liquidity of RURPL is adequate marked by cash accruals of Rs.4.68 crore as on 31 March 2023 as against debt repayment obligation of Rs.0.41 crore during the same period. The current ratio stood healthy at 1.59 times in FY2023 against 2.09 times in FY2022. Further, NCA/TD (Net Cash Accruals to Total Debt) stood at 0.12 times in FY2023 as against 0.14 times in FY2022. The reliance on working capital limits remained at moderate levels at 77.23% for the last 12 months ending April 2024. Going ahead, liquidity is expected to remain adequate in the medium term on account of cash accruals of Rs.5.78-6.90 crore against repayment obligations of Rs. 3.77 crore during the same period.

### **Outlook: Stable**

Acuité believes that RURPL will maintain a 'Stable' outlook over the medium term owing to its promoters' experience in the industry and the recent capital expenditure. 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 and improving the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of any decline in operating performance or significant deterioration in financial risk profile.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	75.02	45.84
PAT	Rs. Cr.	1.43	1.85
PAT Margin	(%)	1.91	4.03
Total Debt/Tangible Net Worth	Times	1.20	0.77
PBDIT/Interest	Times	3.79	4.64

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Mar 2023	Cash Credit	Long Term	20.00	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	5.20	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	23.85	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	0.95	ACUITE BBB-   Stable (Reaffirmed)
07 Jan 2022	Cash Credit	Long Term	10.00	ACUITE BBB-   Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	10.00	ACUITE BBB-   Stable (Assigned)
	Proposed Letter of Credit	Short Term	5.00	ACUITE A3 (Assigned)
	Proposed Long Term Bank Facility	Long Term	8.85	ACUITE BBB-   Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	15.00	ACUITE BBB-   Stable (Reaffirmed)
	Term Loan	Long Term	1.15	ACUITE BBB-   Stable (Assigned)
30 Dec 2021	Cash Credit	Long Term	10.00	ACUITE BBB-   Stable (Reaffirmed)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	13.00	ACUITE BBB-   Stable (Reaffirmed)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Maharashtra	Not avl. / Not appl.	Cash Credit	27 Oct 2023	Not avl. / Not appl.	Not avl. / Not appl.	Simple	29.00	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.27	ACUITE BBB-   Stable   Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	28 Dec 2021	Not avl. / Not appl.	31 Dec 2028	Simple	18.19	ACUITE BBB-   Stable   Reaffirmed
Bank of Maharashtra	Not avl. / Not appl.	Term Loan	28 Dec 2021	Not avl. / Not appl.	31 Dec 2025	Simple	0.54	ACUITE BBB-   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Pradeep Singh Manager-Rating Operations Tel: 022-49294065 <a href="mailto:pradeep.singh@acuite.in">pradeep.singh@acuite.in</a>	Varsha Bist Associate Vice President-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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