



**SAHYADRI INDUSTRIES LIMITED**

**Registered Office :**

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CIN No :- L26956PN1994PLC078941

Date: 27<sup>th</sup> February 2023

To,  
The Listing Manager,  
BSE Limited  
Department of Corporate Services  
P. J. Towers, Dalal Street, Mumbai - 400001  
Scrip Code: 532841

**Sub: Intimation of Credit Rating received from ICRA.**

Dear Sir,

**Ref: Scrip Code: 532841**

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform that ICRA Limited has issued Credit rating for Bank facilities of the Company.

You are requested to kindly take note of the above.

Thanking You.

Yours faithfully,  
For SAHYADRI INDUSTRIES LIMITED

Rajib Kumar Gope  
Company Secretary  
Membership No. F8417

Long term – Fund Based/ Cash Credit	74.55	74.55	[ICRA]A- (Stable); Reaffirmed
Short term – Non fund based Limits	36.95	36.95	[ICRA]A2+; Reaffirmed

*\*Instrument details are provided in Annexure-1*

The ratings reaffirmation factors in the long operational track record of Sahyadri Industries Limited (SIL) of over three decades in the roofing sheets (asbestos cement sheets – AC sheets) segment, a strong network of over 3,000 dealers and distributors and an established market position in AC sheets in the western region, mainly Maharashtra and Gujarat. The company also plans to diversify across other geographies with deeper penetration in the southern region, where it has some presence. The company has enhanced capacity at its Perundurai plant in Tamil Nadu to 227,000 MTPA from 155,000 MTPA, which manufactures asbestos and non-asbestos boards and has become operational from April 2022. The ratings continue to factor in the comfortable debt coverage metrics supported by low repayments with DSCR at 8.1 times in FY2022 and 12.9 times in H1 FY2023. The overall debt is likely to increase from September 30,2022 levels due to increased utilisation of working capital limits to support high inventory levels, and the term loans to be availed for funding the capex at the Wada plant (debt-to-equity mix of 75:25). Consequently, the leverage is estimated to increase with total debt/OPBIDTA of 2.0-2.2 times as of March 2023, while the coverage indicators are expected to remain comfortable with estimated DSCR of around 9.0 times in FY2023.

The ratings, however, remain constrained by the vulnerability of SIL's revenues and margins to the regulatory risks associated with the threat of ban on use or manufacture of asbestos-related products as well as on the mining of asbestos in asbestos producing countries. The revenues from asbestos-related products accounted for 78% of total revenues in 9M FY2023. However, the company expects to improve the share of non-asbestos products over the medium term, which will partially mitigate the regulatory risks. SIL is undertaking another capex at Wada, Maharashtra for setting up a non-asbestos capacity of 72,000 MTPA, which is expected to be operational from Q4 FY2024. The ratings also take into account the working capital-intensive nature of SIL's operations given the high inventory requirements. The inventory levels have increased significantly in the current fiscal, as the company is stocking high raw material inventory, given the supply concerns arising due to the ongoing geopolitical tension between Russia and Ukraine. The company deals primarily in asbestos roofing sheet, demand for which remains exposed to demand conditions in the rural economy, which in turn is dependent on monsoons, minimum support price (MSP) movement and farm productivity. The ratings also factor in the vulnerability of margins to any adverse fluctuations in raw material prices, as well as exposure to fluctuations in foreign exchange rates, given the considerable imports of asbestos fibre and the absence of any formal hedging policy. The company's operating profit margins (OPM) have moderated to 15.6% in 9M FY2023 from 18.1% in FY2022, due to increase in prices of key raw material prices, which could not be passed on fully to the customers. Nonetheless, the company has been able to secure contracts with its key suppliers of asbestos for 9M FY2024 at lower rates compared to previous year and has also undertaken some price hikes on its products, which should support the OPM, going forward.

The Stable outlook on the rating reflects ICRA's expectations that SIL will continue to benefit from the established market position in the AC sheet industry in western India, planned geographical diversification, which is expected to boost the overall

revenues over the medium term along with an improvement in the operating margins, going forward and comfortable debt coverage metrics.

SIL has a track record of over three decades in the roofing sheets (asbestos cement sheets – AC sheets) segment. The company sells building material products and accessories under the brands ‘Swastik’, ‘Cemply’ and ‘Ecopro’, among others.

SIL has a strong network comprising over 3,000 dealers and distributors. SIL has an established market position in AC sheets in the western region, mainly Maharashtra and Gujarat, with three plants located in the same region. Further, the company has plans to diversify across other geographies with deeper penetration in the southern region, where it has some presence. Consequently, the company has enhanced the asbestos and non-asbestos boards’ capacity at its existing plant in Perundurai, Tamil Nadu (to 227,000 MTPA from 155,000 MTPA), which has become operational from April 2022.

The company’s debt coverage metrics remain comfortable, supported by low repayments with DSCR at 8.1 times in FY2022 and 12.9 times in H1 FY2023. The overall debt is likely to increase from September 30, 2022 levels due to increased utilisation of working capital limits to support high inventory levels, and the term loans to be availed for funding the capex at the Wada plant (debt-to-equity mix of 75:25). Consequently, the leverage is estimated to increase with total debt/OPBIDTA of 2.0-2.2 times as of March 2023, while the coverage indicators are expected to remain comfortable with estimated DSCR of 9.0 times in FY2023.

Given the nature of the product offerings by SIL, the rural markets are the key consumers for asbestos sheets manufactured by the company. As a result, the business operations of SIL remain exposed to demand conditions of the rural economy, which in turn is dependent on monsoons, MSP movement and farm productivity. Any adverse movements in the demand for SIL’s products from the rural markets could impact the revenue base and, thus, profitability of the company.

With asbestos-based products dominating SIL’s product profile (~78% asbestos-based products in 9M FY2023, value wise), its revenues and margins are vulnerable to the regulatory risks associated with the threat of ban on use or manufacture of asbestos-related products as well as on the mining of asbestos in asbestos producing countries. However, the company is expecting to improve the share of non-asbestos products in the medium term, which will act as a mitigant to the regulatory risks.

SIL’s operations remain working capital intensive in nature given the higher inventory levels. The inventory levels (primarily raw materials) have increased significantly during FY2023 due to ongoing geopolitical tensions between Russia and Ukraine, and the related supply issues. The inventory levels are expected to remain elevated in the future as the company would continue to stock high raw material inventory in order to ensure uninterrupted production. Additionally, change in credit terms from some of the suppliers to advance payment from 30-60 days credit period backed by Letter of Credit is also expected to increase the working capital utilisation compared to the past. Besides, the margins remain susceptible to any adverse fluctuations in the costs of key raw materials such as asbestos, cement and fly ash and the OPM have moderated to 15.6% in 9M FY2023 from 18.1% in FY2022. SIL’s margins also stand exposed to fluctuations in the foreign exchange rates, given the company’s considerable imports in the form of asbestos fibre and absence of any formal hedging policy. Its exports, though moderate, provide natural hedging against the imports to an extent. The company’s ability

to pass on the increased cost to the customers amid intense competition from other players will, therefore, remain a key determinant of the company’s profitability, going forward.

While some forms of asbestos fibre pose health risks to individuals who are exposed, asbestos cement manufactured using white chrysotile asbestos is considered to be of relatively low risk. All the manufacturers are required to follow strict environmental norms to operate. Given the safety and environmental health-related concerns associated with asbestos, the industry may be exposed to the risk of tightening regulatory norms. Any ban on the mining of asbestos across countries may expose the company to risk of non-availability of raw material. However, with company’s plans of increasing diversification towards non-asbestos products, the risk is expected to moderate over the medium to long term.

SIL’s liquidity position remains adequate on the back of free cash and liquid investments of Rs. 17.7 crore as on December 31, 2022 and moderate utilisation of fund-based limits (~50% as on December 31, 2022). Further, the company plans to undertake capex of Rs. 65 crore in FY2023-FY2024, which is expected to be funded by 75% debt and the remaining through internal accruals. The debt tie-up is in place. The company has low debt repayments of around Rs. 3.4 crore in FY2024, which can be comfortably met from cash flow from operations.

– ICRA could upgrade SIL’s ratings, if there is any significant growth in revenues and profitability, coupled with an improvement in debt coverage metrics and liquidity, on a sustained basis.

The ratings could be downgraded, if the entity shows any significant decline in its revenue base or witnesses a deterioration in profitability, affecting its liquidity position. Any larger-than-anticipated debt-funded capex, leading to Debt/OPBDIT of more than 2.3 times, on a sustained basis, could also result in a rating downgrade.

	<a href="#">Corporate Credit Rating Methodology</a>
	Not Applicable
	The ratings are based on the standalone financial statements of SIL

Established in 1947, SIL is primarily involved in manufacturing building material products such as asbestos corrugated sheets and boards as well as non-asbestos cement boards. It operates through five manufacturing plants across Maharashtra, Gujarat, Tamil Nadu and Andhra Pradesh, and sells its products under the brands ‘Swastik’, ‘Cemply’ and ‘Ecopro’ through a network comprising over 3,000 distributors. The company also operates windmills in Maharashtra and Rajasthan with incremental revenue contribution from the power generation division, providing stable source of revenue generation to the company.

Further, the company received NCLT approval for merging the business undertaking of Poonam Roofing Products Pvt. Ltd. (PRPPL)<sup>1</sup>.

Operating Income (Rs. crore)	472.0	542.5
PAT (Rs. crore)	61.7	60.1
OPBDIT/OI (%)	19.6%	18.1%
PAT/OI (%)	13.1%	11.1%
Total Outside Liabilities/Tangible Net Worth (times)	0.5	0.5
Total Debt/OPBDIT (times)	0.5	0.8
Interest Coverage (times)	19.0	21.3

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation ^pre-merger with PRPPL

	Long-term	74.55	62.1
	Short-term	36.95	5.3
	Long-term/Short-term	-	-

Fund-based – Cash Credit	Simple
Non - Fund based Limits	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's

<sup>1</sup> PRPPL was doing job works for SIL as the company was held by the same promoter group. Also, it owned Swastik brand, for which the SIL was paying royalty so far. On merger, the company benefits by acquiring the Swastik brand, existing land, plant and machinery as well as the skilled labour of PRPPL.

credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, are available on ICRA's website: [Click Here](#)

-	Cash credit	-	-	-	74.55	[ICRA]A-(Stable)
-	Non-fund Based limits	-	-	-	36.95	[ICRA]A2+

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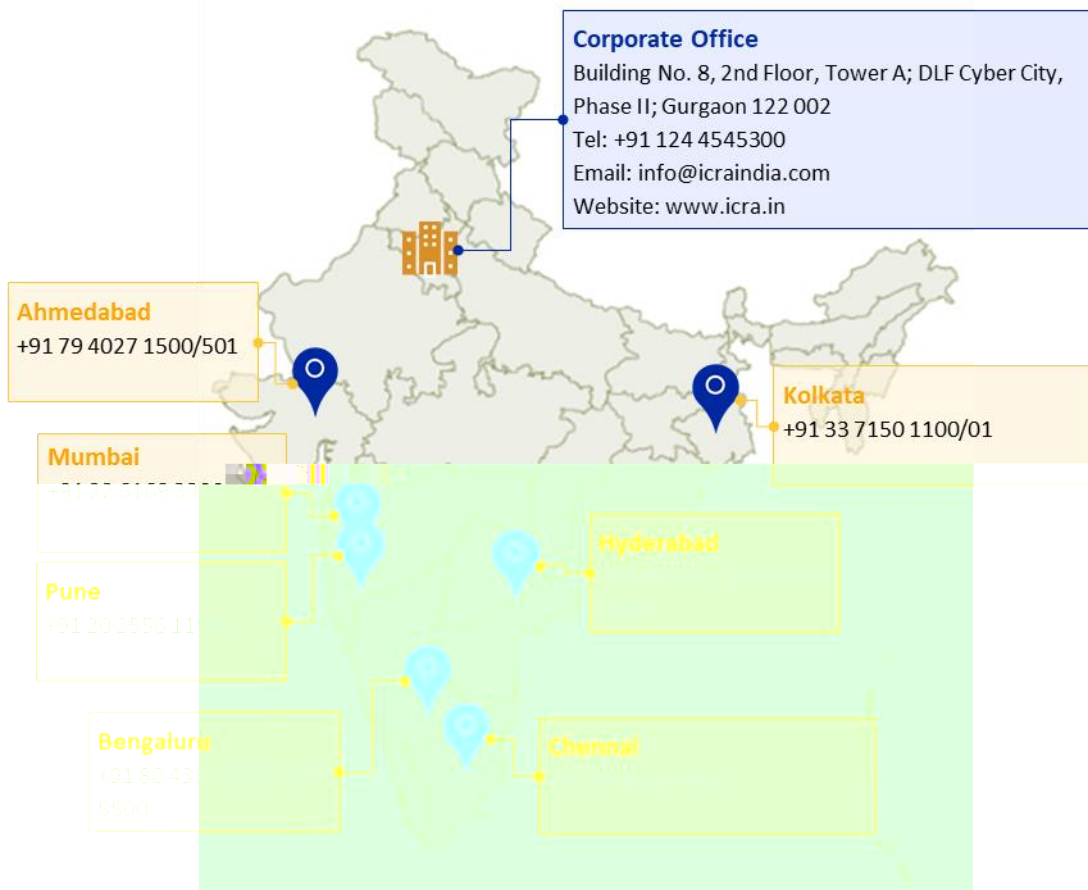
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