

May 28, 2025

Everest Industries Limited: Ratings downgraded to [ICRA]A (Negative)/ [ICRA]A2+ from [ICRA]A+ (Negative)/ [ICRA]A1

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long Term-Fund based-Cash Credit	130.00	130.00	[ICRA]A (Negative); Downgraded from [ICRA]A+ (Negative)
Short term-Non-Fund Based Limits	250.00	250.00	[ICRA]A2+; Downgraded from [ICRA]A1
Long term/ Short term - unallocated	60.00	60.00	[ICRA]A (Negative)/ [ICRA]A2+; Downgraded from [ICRA]A+ (Negative)/ [ICRA]A1
Total	440.00	440.00	

*Instrument details are provided in Annexure I

Rationale

The revision in the ratings for Everest Industries Limited (EIL) factors in the sustained pressure on operating margins and the increase in indebtedness resulting in the moderation of its debt protection metrics. EIL's operating margins declined to a modest 1.7% in FY2025 (PY: 2.6%) mainly due to lower margins from asbestos roofing product on account of lower operating efficiencies, slow ramp-up of new plant in boards and panels segment in Mysore, Karnataka (commenced in March 2024) and moderate operating margins from Pre-Engineered Building (PEB) segment. This coupled with a debt-funded capex towards steel building plant in FY2025 resulted in deterioration of debt coverage metrics with interest cover of 1.3 times (PY: 3.2 times) and leverage metrics with Total Debt/OPBITDA of 8.9 times as of March 2025 (PY: 2.3 times). EIL is estimated to incur capex of around Rs 200-220 crores in FY2026-FY2028 for PEB plant (Andhra Pradesh) and boards and panels plant (Assam) which will be operational in the near to medium term. ICRA expects the operating margins in FY2026 to sequentially improve supported by stabilization of boards and panels plant which commenced operations in March 2024. Nonetheless, the leverage is expected to remain elevated and coverage metrics to remain under pressure, given that a significant share of its capex requirements are debt funded.

The company has also started focusing on increasing its share in the relatively high margin boards and panels segment along with increasing focus on higher value and margin PEB orders in addition to continued efforts towards process optimization. Further, material improvement in the operating margins in the medium term remains a key rating monitorable. ICRA notes that the company has added new suppliers for asbestos fire from Kazakhstan and Brazil thus reducing their sole dependence from Russian suppliers.

The rating further remains constrained by vulnerability of EIL's revenues and profitability to the regulatory risks associated with the threat of ban on usage or manufacture of asbestos-related products as well as on the mining of asbestos in asbestos-producing countries. It imports asbestos fibre, one of the key raw materials. Therefore, EIL's margins remain exposed to fluctuations in key raw material prices and foreign exchange (forex) rates. The ratings remain constrained by the working capital-intensive nature of the operations, given the high inventory holding requirements, and the exposure to cyclical trends in the key end-user segments (rural housing, real estate and construction), along with the intense competition in the industry.

The rating, however, positively factors in the EIL's established position in the domestic fibre cement (FC) industry, backed by its strong brand, distribution capabilities and the geographical spread of its plants. The ratings consider the diversified revenues of EIL with presence in the FC segment and non-asbestos products such as boards, panels and steel buildings/PEB segment. The rating further positively factors in the expected improvement in the company's revenue, with revenue expected to

increase by around 10-12% in FY2026 driven by stabilization of its new boards and panels plant in Mysore Karnataka along with expected improvement in revenue from PEB segment on account of high value orders from various large corporates. Further, EIL has diversified presence in the FC segment and non-asbestos products such as boards and panels and steel buildings/PEB segment. In FY2025, building material segment accounted for around 65% of the total revenues while PEB segment accounted for 35% of the total revenues (increasing from 28% in FY2025), supported by orders from reputed multi-national companies (MNCs) and corporates.

The negative outlook on the long-term rating reflects the sustained pressure on the operating margins of the company along with increase in the indebtedness which is likely to exert pressure on the debt protection metrics of the company.

Key rating drivers and their description

Credit strengths

Established position in domestic FC roofing industry – EIL is an established player in the domestic FC roofing industry with an operational track record of close to nine decades. The Group is backed by its strong brand and distribution capabilities, with more than 7,000 dealers across 600 cities and 1,00,000 villages. The wide geographical reach of its plants, enabling better market penetration and customer acquisition, also lends support.

Diversified revenue streams – The company has diversified presence in the FC segment and non-asbestos products such as boards and panels and steel buildings/PEB segment. In FY2025, building material segment accounted for around 65% of the total revenues while PEB segment accounted for 35% of the total revenues (increasing from 28% in FY2025), supported by orders from reputed multi-national companies (MNCs) and corporates.

Credit challenges

Weak operating performance; margins exposed to fluctuations in raw material prices and forex rates – The company's operating margin remains exposed to variations in key raw material prices and any adverse fluctuations in forex rates as its key raw material, asbestos is imported. The operating margin declined to a modest 1.7% in FY2025 (PY: 2.6%) mainly due to lower margins from asbestos roofing product on account of lower operating efficiencies, slow ramp-up of new plant in boards and panels segment in Mysore, Karnataka (commenced in March 2024) and moderate operating margins from Pre-Engineered Building (PEB) segment. This coupled with a debt-funded capex towards steel building plant in FY2025 resulted in deterioration of debt coverage metrics with interest cover of 1.3 times (PY: 3.2 times) and leverage metrics with Total Debt/OPBITDA of 8.9 times as of March 2025 (PY: 2.3 times). EIL is estimated to incur capex of around Rs 200-220 crores in FY2026-FY2028 for PEB plant (Andhra Pradesh) and boards and panels plant (Assam) which will be operational in near to medium term. ICRA expects the operating margins in FY2026 to sequentially improve supported by stabilization of boards and panels plant which commenced operations in March 2024. Nonetheless, the leverage is expected to remain elevated and coverage metrics to remain under pressure, given that a significant share of its capex requirements are debt funded.

Exposure to regulatory risks of asbestos-related products, cyclicality in end user industry and competition – The company's revenue and margins remains exposed to the the regulatory risks associated with the threat of ban on usage or manufacture of asbestos-related products as well as on the mining of asbestos in asbestos-producing countries. It imports asbestos fibre, one of the key raw materials. Therefore, EIL's margins remain exposed to fluctuations in key raw material prices and foreign exchange (forex) rates. The ratings remain constrained by the working capital-intensive nature of the operations, given the high inventory holding requirements, and the exposure to cyclical trends in the key end-user segments (rural housing, real estate and construction), along with the intense competition in the industry.

Environmental and social risks

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 lower risk than amosite or crocidolite asbestos. All 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 EIL’s plans of increasing diversification towards non-asbestos products, the risk is expected to moderate over the medium to long term.

Liquidity position: Adequate

EIL’s liquidity position remains adequate. As on March 31, 2025, the company had free cash and liquid investments of Rs. 10.0 crore and undrawn fund-based working capital limits of around Rs. 60.5 crore. The average utilisation of fund-based limits remains low at 24% for trailing twelve months ending February 2025. Further, the company has only interest repayments obligations in FY2026 which is expected to be met comfortably through its cashflow from operations.

Rating sensitivities

Positive factors – ICRA may revise the outlook to stable in case of a material improvement in profitability and coverage metrics, while sustaining adequate liquidity position.

Negative factors – ICRA may downgrade the ratings in case of the company’s inability to improve its profitability and leverage indicators, or if there is a stretch in the working capital cycle. Additionally, its inability to ramp-up the operations post commissioning of the new plants without commensurate returns, could lead to a rating downgrade. Any regulatory action pertaining to the use of asbestos will also adversely impact the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has taken consolidated financials of EIL and its subsidiaries given the close business, financial and managerial linkages among them.

About the company

EIL, incorporated in 1934, is an established player in the domestic FC sheet industry with close to nine decades of experience. The company’s operations can be classified into two divisions – building products and steel buildings/PEB. The building products division includes roofing products (asbestos and non-asbestos FC sheets), ceiling, wall, floor, cladding and door solutions. The steel buildings division provides end-to-end solutions, from designing and manufacturing to installing of steel buildings, mainly for industrial buildings and warehouses.

Key financial indicators (audited)

EIL (Consolidated)	FY2024	FY2025
Operating income	1575.5	1722.8
PAT	18.0	-3.6
OPBDIT/OI	2.6%	1.7%
PAT/OI	1.1%	-0.2%
Total outside liabilities/Tangible net worth (times)	1.0	1.2
Total debt/OPBDIT (times)	2.3	8.9
Interest coverage (times)	3.2	1.3

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	May 28, 2025	Date	Rating	Date	Rating	Date	Rating
Fund-based – Cash credit	Long Term	130.00	[ICRA] A (Negative)	-	-	Apr 21, 2023	[ICRA] A+ (Stable)	Feb 25, 2022	[ICRA] A+ (Stable)
				-	-	Feb 13, 2024	[ICRA] A+ (Negative)	-	-
Non-fund based limits	Short Term	250.00	[ICRA] A2+	-	-	Apr 21, 2023	[ICRA] A1	Feb 25, 2022	[ICRA] A1+
				-	-	Feb 13, 2024	[ICRA] A1	-	-
Long-term Short-term Unallocated	Long Term/ Short term	60.00	[ICRA]A (Negative)/ [ICRA]A2+	-	-	Apr 21, 2023	[ICRA] A+ (Stable)/ [ICRA] A1	-	-
				-	-	Feb 13, 2024	[ICRA] A+ (Negative)/ [ICRA] A1	-	-
Commercial paper	Short term	-	-	-	-	-	-	Feb 25, 2022	[ICRA] A1+; reaffirmed and withdrawn

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund-based – Cash credit	Simple
Short-term Non-fund based	Very Simple
Long-term/Short-term – Unallocated	Not Applicable

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 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](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Cash credit	-	-	-	130.00	[ICRA]A (Negative)
NA	Non-fund based	-	-	-	250.00	[ICRA] A2+
NA	Unallocated	-	-	-	60.00	[ICRA]A (Negative)/ [ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	EIL Ownership	Consolidation Approach
Everest Building Products	100%	Full Consolidation
Everest FZE	100%	Full Consolidation
Everest Steel building Private Limited	100%	Full Consolidation
Everest Buildpro Private Limited	100%	Full Consolidation

Source: Annual report; ICRA Research

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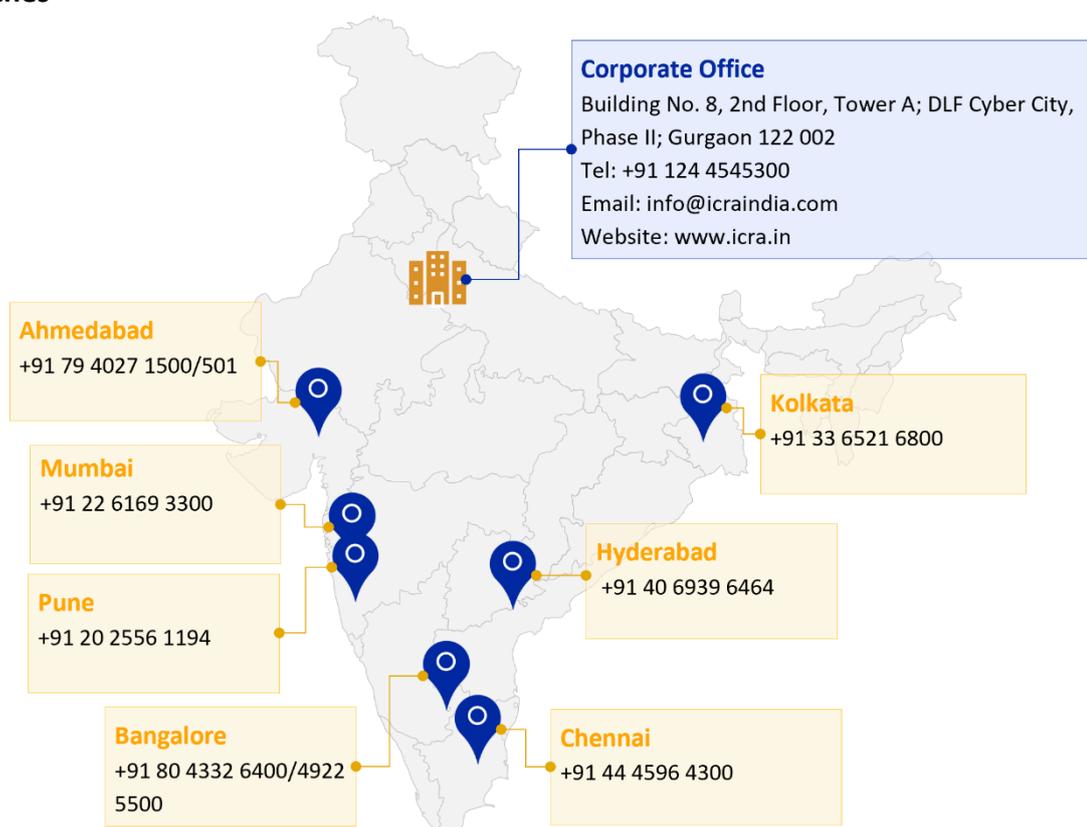
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