August 21, 2025

Sahyadri Industries Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund-based/cash credit	186.43^	185.03^	[ICRA]A- (Stable); reaffirmed
Term loans	120.00	120.00	[ICRA]A- (Stable); reaffirmed
Short-term – Non-fund based limits	8.87	10.27	[ICRA]A2+; reaffirmed
Total	**315.30**	**315.30**	

**Instrument details are provided in Annexure I; ^ including proposed limits of Rs. 30.00 crore (PY: Rs. 30.00 crore)*

Rationale

The ratings reaffirmation of Sahyadri Industries Limited (SIL) factors in the established market position in the asbestos cement (AC) roofing sheets in the western region - mainly Maharashtra and Gujarat, strong dealer/distribution network along with the estimated comfortable debt coverage and adequate leverage metrics in FY2026. SIL has an operational track record of over three decades in the AC roofing sheets (asbestos cement sheets – AC sheets) and a strong network of over 3,000 dealers and distributors supporting its operations. While the company's operations are largely focused on the western region, ICRA notes that the company is diversifying into southern states such as Karnataka, Tamil Nadu, Andhra Pradesh, etc. The company's total debt stood at Rs. 78.4 crore as of March 2025 and is likely to remain at moderate levels in the medium term, as the capex is expected to be funded with limited reliance on debt. The leverage is expected to remain adequate as reflected in estimated total debt/OPBIDTA of 1.7 - 2.0 times as of March 2026 and debt service coverage ratio (DSCR) is expected to remain comfortable at around 5.0 – 5.2 times in FY2026 (PY: 1.2 times), supported by low debt repayments.

The ratings, however, remain constrained by the vulnerability of SIL's revenues and pressure on the margins due to limited ability to pass on the increase in input costs to its customers as well as the regulatory risks associated with the threat of ban on use or manufacture of asbestos-related products and the mining of asbestos in asbestos producing countries. The company deals primarily in asbestos roofing sheet, demand for which remains exposed to demand conditions in the rural economy. ICRA notes that the share of non-asbestos products was 26% of overall sales in FY2025 (PY: 22%) and this share is likely to improve in the medium term. SIL's operating income (OI) declined by 5% YoY in FY2025 and 1.2% YoY in Q1 FY2026 and for full year FY2026, the OI growth is likely to remain flattish. ICRA notes that the operating margins have declined by 150 bps to ~9% in FY2025 due to lower volume offtake and a marginal increase in costs. The operating margins are likely to remain at 9-10% in FY2026. The company is also exposed to inherent project implementation risks for the ongoing capex in Maharashtra and Odisha as well as post-implementation risk related to ramp-up and stabilisation of the new plants. The capex is estimated to be around Rs. 200 crore for both the plants and is expected to be largely funded through internal accruals with limited reliance on debt. 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 considerable imports of asbestos fibre and the absence of any formal hedging policy. The ratings also consider the working capital-intensive nature of SIL's operations given the high inventory requirements.

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 supporting its revenues and the company is likely to sustain comfortable debt coverage and adequate leverage metrics on account of moderate levels of debt.

Key rating drivers and their description

Credit strengths

Comfortable debt coverage and adequate leverage metrics – The company's total debt stood at Rs. 78.4 crore as of March 2025 and is likely to remain at moderate levels in the medium term as the capex is expected to be funded with limited reliance on debt. The leverage is expected to remain adequate as reflected in estimated total debt/OPBIDTA of 1.7 - 2.0 times as of March 2026 and debt service coverage ratio (DSCR) is expected to remain comfortable at 5.0 – 5.2 times in FY2026 (PY: 1.2 times), supported by low debt repayments.

Established market position in roofing segment; wide distribution network – SIL has a strong network of over 3,000 dealers and distributors supporting its operations. While the company's operations are largely focused on the western region, ICRA notes that the company is also diversifying across other geographies like the southern states of Karnataka, Tamil Nadu, Andhra Pradesh, etc.

Long track record of operations – 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.

Credit challenges

Operations remain exposed to regulatory risks – The company is exposed to regulatory risks associated with the threat of ban on use or manufacture of asbestos-related products and the mining of asbestos in asbestos-producing countries. The share of non-asbestos products was 26% of overall sales in FY2025 (PY: 22%) and this share is likely to improve in the medium term.

Operating margins exposed to fluctuations in raw material prices and foreign exchange rates; working capital-intensive nature of operations –. The ratings also factor in the vulnerability of SIL's revenues and pressure on the margins due to limited ability to pass on the increase in input costs to its customers. Its exports, though moderate, provide natural hedging against the imports to an extent. The company's operating margins have declined by 150 bps to ~9% in FY2025 due to lower volume offtake and a marginal increase in costs. The operating margins are likely to remain at 9-10% in FY2026. SIL's operations are working capital intensive, given the high inventory requirements.

Vulnerability of demand to cyclicality in rural markets – The company deals primarily in asbestos roofing sheet. The demand for the same remains exposed to demand conditions in the rural economy, which in turn is dependent on monsoons, minimum support price (MSP) movement and farm productivity. SIL's operating income (OI) declined by 5% YoY in FY2025 and 1.2% YoY in Q1 FY2026 and for full year FY2026, the OI growth is likely to remain flattish. The company is also exposed to inherent project implementation risks for the ongoing capex in Maharashtra and Odisha (non-asbestos capacity of 72,000 MTPA at Wada, Maharashtra with expected CoD of Q4 FY2027 and asbestos corrugated sheets with capacity of 1,20,000 MTPA at Odisha with expected CoD in FY2029) as well as post-implementation risk related to ramp-up and stabilisation of new plants. The capex is estimated around Rs. 200 crore for both the plants and is expected to be largely funded through internal accruals with limited reliance on debt. Any adverse movements in the demand for SIL's products from the rural markets could impact the revenue base and, thus, its profitability.

Environmental and social risks

Asbestos cement manufactured using white chrysotile poses relatively lower health risks compared to other forms of asbestos fibre. However, all manufacturers must adhere to stringent environmental regulations to operate. The industry may be vulnerable to the risk of more stringent regulatory norms due to the safety and environmental health-related concerns associated with asbestos. A ban on asbestos mining in producing countries could lead to a raw material shortage for the company. Furthermore, any prohibition on asbestos usage due to environmental or health considerations could have a significant impact on SIL's AC sheets segment, which is a major contributor to its operating profits.

Liquidity position: Adequate

SIL's liquidity position remains adequate, supported by free cash and liquid investments of Rs. 4.8 crore as on March 31, 2025, and low utilisation of fund-based limits (~22% for past 12 months ending March 31, 2025) with an average cushion of ~Rs. 125 crore. Further, the company plans to undertake capex of ~Rs. 175 crore (towards Wada and Odisha plants) over FY2026-FY2028, which is expected to be largely funded through internal accruals with limited reliance on debt. The debt tie-up for the Wada plant is in place. The company has low debt repayments of Rs. 3.2 crore in FY2026 which can be comfortably met from its cash flow from operations.

Rating sensitivities

Positive factors – 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.

Negative factors – 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 Total Debt/OPBDIT of more than 2.3 times, on a sustained basis, could also result in a rating downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology]
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements of SIL

About the company

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. SIL 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. The total installed capacity was 7,22,000 MTPA as on March 31, 2025.

Key financial indicators (audited)

SIL	FY2024	FY2025	Q1 FY2026*
Operating income	634.3	605.2	214.6
PAT	26.4	19.5	10.8
OPBDIT/OI	10.5%	9.0%	9.4%
PAT/OI	4.2%	3.2%	5.0%
Total outside liabilities/Tangible net worth (times)	0.6	0.4	-
Total debt/OPBDIT (times)	1.7	1.4	0.4
Interest coverage (times)	5.9	7.8	18.9

*Source: Company, ICRA Research; * Results; 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 rating (FY2026)			Chronology of rating history for the past 3 years					
	FY2026			FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs crore)	Aug 21, 2025	Date	Rating	Date	Rating	Date	Rating
Fund based-Cash credit	Long-term	185.03	[ICRA]A-(Stable)	May 21, 2024	[ICRA]A-(Stable)	-	-	Feb 24, 2023	[ICRA]A-(Stable)
				-	-	-	-	Mar 21, 2023	[ICRA]A-(Stable)
Fund based-Term loan	Long-term	120.00	[ICRA]A-(Stable)	May 21, 2024	[ICRA]A-(Stable)	-	-	Mar 21, 2023	[ICRA]A-(Stable)
Non-fund based - Others	Short-term	10.27	[ICRA]A2+	May 21, 2024	[ICRA]A2+	-	-	Feb 24, 2023	[ICRA]A2+
				-	-	-	-	Mar 21, 2023	[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based – Cash credit	Simple
Term loans	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 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^	-	-	-	185.03	[ICRA]A- (Stable)
NA	Term loans	Apr-2021	-	Apr-2027	22.50	[ICRA]A- (Stable)
NA	Term loans	May-2021	-	May-2027	22.50	[ICRA]A- (Stable)
NA	Term loans	Feb-2023	-	Feb-2029	75.00	[ICRA]A- (Stable)
NA	Non-fund based limits	-	-	-	10.27	[ICRA]A2+

Source: Company; ^ including proposed limits of Rs. 30 crore

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis: Not Applicable

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ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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