

March 14, 2017

## Everlast Roofing

Instrument*	Rated Amount (In Rs Crore)	Rating Action
Long term: Fund based facilities – CC	2.00 (revised from 2.50)	[ICRA]BB- (Stable); reaffirmed
Short term: Non-fund based facilities	7.00 (revised from 6.00)	[ICRA]A4; reaffirmed
Long term/ Short term – proposed facilities	Nil (revised from 0.50)	-
<b>Total</b>	<b>9.00</b>	

\*Instrument Details are provided in Annexure-1

### Rating Action

ICRA has reaffirmed the long term rating at [ICRA]BB- (pronounced ICRA double B minus)<sup>1</sup> for the Rs. 2.00 crore<sup>2</sup> (revised from Rs. 2.50 crore) cash credit facility of Everlast Roofing (ER/ the firm). ICRA has also reaffirmed the short-term rating at [ICRA]A4 (pronounced ICRA A four) for the Rs 7.00 crore (revised from Rs 6.00 crore) short-term non-fund based facilities of ER. The outlook on the long term rating is Stable.

### Rationale

The reaffirmation of the ratings continue to factor in the positive demand outlook for steel roofing structures owing to the strong growth prospects for infrastructure investments in India and increased awareness of the harmful effects of asbestos roofing structures. The ratings also draw comfort from the low customer concentration, with the top 10 customers accounting for only about 30% of the total sales, coupled with comfortable capital structure and coverage indicators.

The ratings are, however, constrained by the small scale of operations of the firm coupled with low value addition nature of operations, limiting its profitability. The ratings also take into account the significant decline in the operating income witnessed in FY2016 and the high competitive intensity owing to the presence of large number of unorganized players in the industry. Risk of capital withdrawal inherent in the partnership status of the entity is the other rating concern.

### Key rating drivers

#### Credit Strengths

- Positive demand outlook for steel roofing structures, used in factories, warehouses, residential building etc due to potential growth prospects for infrastructure investments in India
- Wide customer portfolio leading to low customer concentration risk
- Financial profile characterised by comfortable capital structure and coverage indicators

#### Credit Weakness

- Small scale of operations coupled with low value addition
- Decline in operating income witnessed in FY2016
- High competitive intensity due to presence of large unorganized players, limited entry barriers and ease of capacity addition
- Inherent risks of the partnership status of the entity

**Description of key rating drivers highlighted above:**

The firm started its business in 2013, prior to which the partners were trading in steel roofing business. The firm has two manufacturing facilities in Chennai and Madurai catering to Tamil Nadu's and Kerala's demand for steel roofing. Though the firm has adequate capacity to manufacture around 500MTPM, the firm has limited its operations to a small scale, manufacturing on an average around 250MTPM. The revenue of the firm depends on the price realisation which in turn depends on the ongoing steel prices and any steep fall in steel prices may impact the revenue of the firm. The margins of the firm are also limited due to low value addition to the products manufactured and are subject to raw material price fluctuation. The firm majorly sells to dealers and the firm has a wide dealer network. In spite of intense competition in the steel roofing space with presence of large number of unorganized players and limited entry barriers, the firm's revenue growth is aided by favourable demand prospects for steel roofing structures due to increasing awareness of the harmful effects of asbestos roofing.

The firm witnessed revenue de growth in FY2016 on account of change in the key marketing personnel. With respect to margins, although the firm hedges the risk of raw material price fluctuations by making back to back purchases against its sales, it carries the risk to the extent of the inventory held. The capital structure continues to be comfortable with external debt limited to working capital borrowings and the firm's working capital intensity is moderate.

**Analytical Approach:**

ICRA has taken into account the debt servicing track record of Merit, its business risk profile, financial risk drivers and management profile.

**Links to applicable Criteria:**

[Corporate Credit Rating –A Note on Methodology](#)

**About the company:**

Everlast Roofing ("ER"/The firm), a partnership firm formed by Mr Kumar and Mr Mathivanan in 2013, is engaged in manufacturing of steel roofing sheets for factories, warehouses, parking sheds, etc. The firm manufactures three kinds of roofing sheets namely Flexi-profile, Hi-rib profile and Tile profile from its manufacturing facilities located in Chennai and Madurai (Tamil Nadu) with a capacity of 500 MTPM in each facility. The promoters of the firm have over 25 years of experience in various fields such as Trading, Export and real estate.

In FY2016, ER achieved a net profit of Rs 1.4 crore on a total operating income of Rs 28.5 crore as compared to net profit of Rs 1.4 crore on a total operating income of Rs 36.5 crore during the previous financial year.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:**
**Table: Rating History**

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years		
		Type	Rated amount (Rs. Crores)	Month-year & Rating	Month-year & Rating in FY2016	Month-year & Rating in FY2015	Month-year & Rating in FY2014
				March 2017	January 2016	-	-
1	Cash Credit	Long term	2.00	[ICRA]BB-(Stable)	[ICRA]BB-(Stable)	-	-
2	Bank guarantee	Short term	7.00	[ICRA]A4	[ICRA]A4	-	-

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1**  
**Details of Instrument**

<b>Name of the instrument</b>	<b>Date of issuance</b>	<b>Coupon rate</b>	<b>Maturity Date</b>	<b>Size of the issue (Rs. Cr)</b>	<b>Current Rating and Outlook</b>
Cash Credit	-	-	-	2.00	[ICRA]BB- (Stable)
Bank Guarantee	-	-	-	7.00	[ICRA]A4

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