

Date: 25th March, 2020

To
Department of Corporate services
BSE Limited
1st Floor, New Trading Ring,
Rotunda Building, Phiroze Jeejeebhoy
Towers, Dalal Street, Fort,
Mumbai-400001
Scrip Code: - 540425

To
Listing Department
National Stock Exchange of India Limited
Exchange Plaza, Plot No. C-1,
G Block, Bandra Kurla Complex,
Bandra (E)
Mumbai- 400051
Symbol- SHANKARA

Dear Sir/Madam,

Sub: - Intimation of Credit Rating

Ref: - Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015

We hereby inform you that the Credit Rating agency i.e. CRISIL has assigned credit rating to the Company.

The copy of the same is enclosed herewith for your reference.

Kindly take the same on record.

Thanking You

Yours faithfully
For Shankara Building Products Limited

Ereena Vikram.



Ereena Vikram
Company Secretary & Compliance Officer

Shankara Building Products Limited

Ratings downgraded to 'CRISIL BBB+/Stable/CRISIL A2'

Rating Action

Total Bank Loan Facilities Rated	Rs.384 Crore
Long Term Rating	CRISIL BBB+/Stable (Downgraded from 'CRISIL A-/Negative')
Short Term Rating	CRISIL A2 (Downgraded from 'CRISIL A2+')

Rs. 60 Crore Commercial Paper	CRISIL A2(Downgraded from CRISIL A2+)
-------------------------------	---------------------------------------

Detailed rationale

CRISIL has downgraded its rating on bank facilities of Shankara Building Products Ltd (Shankara; a part of the Shankara Buildpro group) to 'CRISIL BBB+/Stable/CRISIL A2' from 'CRISIL A-/Negative/CRISIL A2+'.

CRISIL also has downgraded its rating on the commercial paper to 'CRISIL A2' from 'CRISIL A2+'.

The downgrade reflects the moderation in the group's overall business risk profile marked by continued suppressed return on capital employed (RoCE) levels and working capital intensity. Erstwhile levels of 6 plus percentage operating margins is not expected to materialise over the medium term on account of commodity nature of business and intense competition. It has remained at around 4-4.5% levels. Working capital intensity remains high with gross current asset (GCAs) at over 110 days. Subsequently the RoCE has remained subdued at 12% or thereabouts. The downgrade also takes into account the lack of moderation in overall leverage inspite monetisation of assets. Combination of debt and reliance on creditors has meant total outside liabilities to tangible net worth (TOL/TNW) ratio to remain aggressive at over 1.3 times, as against earlier expectations of close to 1 time.

The ratings continue to factor in the group's established market position and extensive experience of the promoter in the building material distribution and retailing businesses, the diversified product offerings, longstanding association with vendors, and average financial risk profile. These strengths are partially offset by susceptibility to economic cycles and sharp variation in raw material prices.

Analytical approach

For arriving at the ratings, CRISIL has combined the financial and business risk profiles of Shankara Building Products Ltd (Shankara) and its wholly-owned subsidiaries, Taurus Value Steel & Pipes Pvt Ltd (Taurus), Vishal Precision Steel Tubes & Strips Pvt Ltd (Vishal), and Centurywells Roofing India Pvt Ltd (Centurywells). This is because all these entities, collectively referred to as the Shankara Buildpro group, have a common management, and

strong operational and financial links. CRISIL has applied parent notch up framework to factor in the support available to the subsidiaries from its parent Shankara.

Key rating drivers

Strengths

Established market position and extensive experience of the promoter

The group's longstanding presence of over three decades in the building materials industry, its wide network of dealers, retail space spread over 0.54 million square feet (sq. ft.), 123 retail outlets and the in-house pipe and colour-coated roofing sheet processing capacity, will continue to support the business risk profile. The promoter has around three decades of experience in the building materials industry, and is assisted by a competent second line of management.

Diversified product offering and longstanding association with vendors

Healthy relationships with suppliers such as JSW Steel Ltd, TATA Steel Ltd, Sintex Industries Ltd, Uttam Galva Steels Ltd, APL Apollo Tubes Ltd (rated 'CRISIL AA-/Stable/CRISIL A1+'), Kajaria Ceramics Ltd, and Cera Sanitaryware Ltd (rated 'CRISIL A1+') enables the group to offer a diverse range of building materials, and provides a competitive edge.

Average financial risk profile

Networth is strong at Rs 477 crore and TOL/TNW moderately high at 1.30 times expected as on March 31, 2020. However financial risk profile is constrained by average debt protection metrics with interest coverage of 2.4 times and net cash accruals to adjusted debt ratio of 0.15 times expected for fiscal 2020.

Weaknesses

Susceptibility of demand to economic cycles

The group remains exposed to fluctuation in demand for real estate and home improvement. However it is expected to maintain steady growth in revenue and profitability, backed by a wide geographical presence and product profile. However, as many of the retail showrooms have a limited track record, sustained growth in scale and profitability remains a key monitorable.

Exposure to fluctuations in input prices

As with any retail business, operating margin remains modest. Further, exposure to volatility in steel prices had led to a drop in margin to 4.5% in fiscal 2019, from 6.9% in fiscal 2018. Given the higher proportion of steel products in the inventory, any sharp variation in steel prices could affect profitability going ahead, and hence, remain a rating sensitivity factor.

Outlook: Stable

CRISIL believes the Shankara Buildpro group will continue to benefit from its established presence in the building material retailing and distribution business.

Rating sensitivity factor

Upward factors:

- Improvement in net cash accruals to over Rs 70 crore
- Significant and sustained improvement in working capital cycle marked by GCA days of less than 90 days

Downward factors:

- Decline in net cash accruals to below Rs 40 crore for fiscal 2021
- Increase in working capital requirement, larger-than-expected, debt-funded capex or acquisition, or more-than-expected dividend pay-out, weakening the financial risk profile, particularly liquidity

Liquidity: Adequate

Liquidity remains adequate, characterized by sufficient cushion between cash accrual and maturing debt, and cash balance of around Rs 22 crore as on December 31, 2019. Expected annual cash accrual of Rs 44-55 crore, over next two fiscals, should comfortably cover maturing debt of around Rs 2 crore. Capex requirements are modular and likely to be funded via internal accruals. Bank limit utilization is moderate at around 69 percent on average drawing power of Rs 330 crore for 9 months ended December 2019 (total sanctioned working capital limits are Rs 475 Cr). The available cushion in bank limit should be adequate to meet the incremental working capital needs over the next one year.

About the group

Incorporated in 1995 as Shankara Pipes India Pvt Ltd, the company was renamed as Shankara Infrastructure Materials Ltd in 2011, and thereafter, as SBPL in 2016. Promoted by Mr Sukumar Srinivas, Shankara operates 123 retail showrooms in southern and western India, where it sells building and home improvement products for many renowned brands.. Further, the group operates in-house pipe and colour-coated roofing sheet processing facilities through wholly-owned subsidiaries: Taurus, Vishal, and Centurywells.

Key financial indicators*

Particulars	Unit	Year 2019	Year 2018
Revenue	Rs crore	2656.1	2548.8
Profit after tax (PAT)	Rs crore	32.7	73.8
PAT margin	%	1.2	2.9
Adjusted debt/adjusted networth	Times	0.84	1.00
Interest coverage	Times	2.1	3.9

*consolidated financials

Status of non-cooperation with previous CRA: not applicable

Any other information: not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments. The CRISIL complexity levels are available on www.crisil.com/complexity-levels. Users are advised to refer to the CRISIL complexity levels for instruments that they consider for investment. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Rating assigned with outlook
NA	Bill Discounting	NA	NA	NA	45	CRISIL A2
NA	Cash Credit & Working Capital demand loan	NA	NA	NA	280	CRISIL BBB+/Stable
NA	Proposed Non Fund based limits	NA	NA	NA	59	CRISIL A2
NA	Commercial paper	NA	NA	7 to 365 days	60	CRISIL A2

Annexure - List of entities consolidated

Names of entities consolidated	Extent of consolidation	Rationale for consolidation
Shankara Building Products Ltd	Full	Common management and strong operational and financial link
Taurus Value Steel & Pipes Pvt Ltd	Full	Common management and strong operational and financial link
Vishal Precision Steel Tubes & Strips Pvt Ltd	Full	Common management and strong operational and financial link
Centurywells Roofing India Pvt Ltd	Full	Common management and strong operational and financial link

Annexure - Details of various bank facilities

Current Facilities			Previous Facilities		
Facility	Amount (Rs. Crore)	Rating	Facility	Amount (Rs. Crore)	Rating
Bill Discounting	45	CRISIL A2	Bill Discounting	45	CRISIL A2+

Cash Credit & Working Capital demand loan	280	CRISIL BBB+/Stable	Cash Credit & Working Capital demand loan*	315	CRISIL A-/Negative
Proposed Non Fund based limits	59	CRISIL A2	Proposed Non Fund based limits	24	CRISIL A2+
Total	384	--	Total	384	--

* Interchangeable with letter of credit of Rs.30 crore and bank guarantee of Rs.30 crore

* Interchangeable with letter of credit of Rs.40 crore

* Interchangeable with letter of credit of Rs.30 crore

*Interchangeable with letter of credit of Rs.20 crore