

Date: 6th March, 2024

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

Digitally signed by EREENA VIKRAM
DN: cn=EREENA VIKRAM c=IN
o=PERSONAL
Date: 2024-03-06 10:59+05:30

Ereena Vikram
Company Secretary & Compliance Officer

Rating Rationale

March 05, 2024 | Mumbai

Shankara Building Products Limited

Long-term rating continues on 'Watch Developing'; short-term rating reaffirmed; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.595 Crore (Enhanced from Rs.522 Crore)
Long Term Rating	CRISIL BBB+/Watch Developing (Continues on 'Rating Watch with Developing Implications')
Short Term Rating	CRISIL A2 (Reaffirmed)

Rs.60 Crore Commercial Paper	CRISIL A2 (Reaffirmed)
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Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings.

The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has continued its rating on the long-term bank facilities of Shankara Building Products Limited (SBPL) on '**Rating Watch with Developing Implications**'; The short term rating and commercial paper has been reaffirmed at 'CRISIL A2'.

CRISIL ratings placed the long-term rating on watch developing on December 28 2023 on account of corporate announcement that SBPL had decided to demerge its trading and manufacturing verticals and the effective date of demerger will be April 01, 2024. The trading vertical is expected to be hived off to a new listed entity and manufacturing division is expected to remain in SBPL. CRISIL Rating will resolve the watch and take appropriate rating action, if warranted, once the transaction is concluded and detailed information regarding the business and financial risk profile of the post demerger-consolidated entity is available.

The ratings continue to factor in the SBPL'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 moderate 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 Ratings 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.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

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, over 90 retail outlets and the in-house pipe and color-coated roofing sheet processing capacity, will continue to support the business risk profile. The main promoter has around three decades of experience in the building materials industry and succession plan is already in place. Also, promoters are 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, Steel Authority of India Ltd, AM/NS India, Uttam Value Steel Ltd, APL Apollo Tubes Ltd, Jaquar & Co,

Kohler India Corporation Pvt Ltd, ROCA Bathroom Products Pvt Ltd, Somani Ceramics Ltd, Kajaria Ceramics Ltd and Cera Sanitaryware Ltd enable the group to offer a diverse range of building materials and provides a competitive edge.

- **Comfortable financial risk profile:** Networth is strong at Rs 627.72 crore and total outside liabilities to tangible net worth ratio is comfortable at 1.03 time as on March 31, 2023. Adequate debt protection metrics marked by interest coverage of 5.15 times and net cash accruals to adjusted debt ratio of 0.93 time for fiscal 2023. Financial risk profile is expected to improve over the medium term supported by steady accretion to reserves and gradual reduction in debt levels.

Weaknesses:

- **Susceptibility of demand to economic cycles:** The group remains exposed to fluctuation in demand for real estate and home improvement. The group's revenues were impacted in the past fiscals on account of Covid-related disruptions. Nevertheless, turnover improved steadily since H2 of fiscal 2023 aided by improvement in construction activity resulting in improved demand.
- **Exposure to fluctuations in input prices:** As with any retail business, operating margin remains modest. The operating profitability has been, moderately volatile in the range of 2.9 to 3.6 percent over the last five fiscals ended fiscal 2023, mainly on account of fluctuation in steel prices. The operating margins for fiscal 2024 is expected to be sustained at around 3%. Improved contribution from the non-steel segment is expected to support the margins, going forward.

Liquidity: Adequate

Bank limit utilisation is at around 85 percent for the past twelve months ended March 2023. The group mainly depends on non-fund-based facilities for its working capital needs. Cash accruals are expected to be over Rs 96-145 crore against repayment obligation of Rs 9-12 crore over the medium term.

Rating Sensitivity Factors

Upward factors:

- Sustained revenue growth of 10-15% with better contribution from non-steel segment and margin sustaining at around 3% resulting in improved accruals.
- Sustenance of healthy financial risk profile and working capital management to remain efficient.

Downward factors:

- Decline in revenues by more than 30% or operating margin declining below 2.5%.
- Increase in working capital requirement, or larger-than-expected, debt-funded capex or acquisition, or more-than-expected dividend pay-out, weakening the financial risk profile, particularly liquidity.
- Any significant negative impact on the business and financial risk profile due to demerger being implemented.

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 Shankara Building Products Limited in 2016. Promoted by Mr Sukumar Srinivas, the group operates over 90 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.

Shankara Building Products Limited got listed on BSE/NSE in 2017 and promoters hold 52.19% stake in the company as on March 31, 2023

Key Financial Indicators

As on/for the period ended March 31	Unit	2023	2022
Operating income	Rs.Crore	4,029.72	2,418.40
Reported profit after tax	Rs.Crore	63.05	34.32
PAT margins	%	1.56	1.41
Adjusted Debt/Adjusted Networkth	Times	0.13	0.24
Interest coverage	Times	4.84	3.48

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. 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)	Complexity level	Rating Assigned with Outlook
NA	Cash Credit	NA	NA	NA	525	NA	CRISIL BBB+/Watch Developing
NA	Inland/Import Letter of Credit	NA	NA	NA	70	NA	CRISIL A2
NA	Commercial paper	NA	NA	7 to 365 days	60	Simple	CRISIL A2

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Centurywells Roofing India Private Limited	100%	Subsidiary with financial and operational fungibilities
Vishal Precision Steel Tubes and Strips Private Limited	100%	Subsidiary with financial and operational fungibilities
Shankara Building Products Limited	100%	Parent
Taurus Value Steel & Pipes Private Limited	100%	Subsidiary with financial and operational fungibilities

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	525.0	CRISIL BBB+/Watch Developing	--	--	28-12-23	CRISIL BBB+/Watch Developing	28-01-22	CRISIL BBB+/Stable / CRISIL A2	15-01-21	CRISIL BBB+/Stable / CRISIL A2	CRISIL BBB+/Stable / CRISIL A2
				--	--	01-08-23	CRISIL BBB+/Positive	--	--	--	CRISIL A2	
				--	--	05-07-23	CRISIL BBB+/Positive	--	--	--	--	
				--	--	04-01-23	CRISIL BBB+/Stable	--	--	--	--	
Non-Fund Based Facilities	ST	70.0	CRISIL A2	--	--	28-12-23	CRISIL A2	--	--	15-01-21	CRISIL A2	Withdrawn
				--	--	01-08-23	CRISIL A2	--	--	--	--	
				--	--	05-07-23	CRISIL A2	--	--	--	--	
				--	--	04-01-23	CRISIL A2	--	--	--	--	
Commercial Paper	ST	60.0	CRISIL A2	--	--	28-12-23	CRISIL A2	28-01-22	CRISIL A2	15-01-21	CRISIL A2	CRISIL A2
				--	--	01-08-23	CRISIL A2	--	--	--	--	
				--	--	05-07-23	CRISIL A2	--	--	--	--	
				--	--	04-01-23	CRISIL A2	--	--	--	--	

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	45	ICICI Bank Limited	CRISIL BBB+/Watch Developing
Cash Credit	60	Kotak Mahindra Bank Limited	CRISIL BBB+/Watch Developing
Cash Credit	50	YES Bank Limited	CRISIL BBB+/Watch Developing

Cash Credit	40	The Federal Bank Limited	CRISIL BBB+/Watch Developing
Cash Credit	75	Citibank N. A.	CRISIL BBB+/Watch Developing
Cash Credit	60	IDFC FIRST Bank Limited	CRISIL BBB+/Watch Developing
Cash Credit	65	Standard Chartered Bank Limited	CRISIL BBB+/Watch Developing
Cash Credit	50	HDFC Bank Limited	CRISIL BBB+/Watch Developing
Cash Credit	50	IndusInd Bank Limited	CRISIL BBB+/Watch Developing
Cash Credit	30	YES Bank Limited	CRISIL BBB+/Watch Developing
Inland/Import Letter of Credit	23	The South Indian Bank Limited	CRISIL A2
Inland/Import Letter of Credit	27	The South Indian Bank Limited	CRISIL A2
Inland/Import Letter of Credit	20	HDFC Bank Limited	CRISIL A2

Criteria Details

Links to related criteria

[Rating criteria for manufacturing and service sector companies](#)

[Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support](#)

[CRISILs Criteria for Consolidation](#)

[CRISILs Criteria for rating short term debt](#)

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