

Date: 5th January, 2023

To
Department of Corporate services
BSE Limited
1st Floor, New Trading Ring,
Rotunda Building, Phiroze Jeejeebhoy
Towers, Dalal Street, Fort,
Mumbai-400001
Scrp 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
Company Secretary & Compliance Officer

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Rating Rationale

January 04, 2023 | Mumbai

Shankara Building Products Limited

Ratings reaffirmed at 'CRISIL BBB+/Stable/CRISIL A2'; Rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.432 Crore (Enhanced from Rs.300 Crore)
Long Term Rating	CRISIL BBB+/Stable (Reaffirmed)
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 reaffirmed its 'CRISIL BBB+/Stable/CRISIL A2' ratings on bank facilities and commercial paper of Shankara Building Products Limited (Shankara; a part of the Shankara Buildpro group).

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 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. CRISIL Ratings has applied parent notch up framework to factor in the support available to the subsidiaries from its parent Shankara.

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.

Moderate financial risk profile: Networth is strong at Rs 541.92 crore and total outside liabilities to tangible net worth ratio is comfortable at 0.8 time as on March 31, 2022. However, financial risk profile is marked by moderate debt protection metrics with interest coverage of 3.5 times and net cash accruals to adjusted debt ratio of 0.40 time for fiscal 2022. 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 last 2 fiscals on account of Covid-related disruptions. Nevertheless, turnover improved steadily since H2 of fiscal 2022 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 volatile in the range of 3.5 to 7 percent over the last five fiscals ended fiscal 2022, mainly on account of fluctuation in steel prices. The operating profitability for fiscal 2023 is expected to remain in the range of 3.5 to 4 percent. Improved contribution from the non-steel segment is expected to support the margins, going forward.

Liquidity: Adequate

Bank limit utilisation is at around 86 percent, including non-fund-based limits, for the past twelve months ended November 2022. The group mainly depends on non-fund-based facilities for its working capital needs. Cash accruals are expected to be over Rs 70 crore against repayment obligation of Rs 9-12 crore over the medium term. In addition, it will be act as cushion to the liquidity of the company.

Current ratio was 1.76 times as on March 31, 2022. Low gearing and moderate net worth support its financial flexibility and provides the financial cushion available in case of any adverse conditions or downturn in the business.

Outlook: Stable

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

Rating Sensitivity factors

Upward factors:

- Improvement in net cash accruals to over Rs 70 crore
- Sustained improvement in working capital cycle and sustenance of its financial risk profile

Downward factors:

- Decline in revenues by more than 30% or operating margin below 3%

- 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

About the Company

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, Shankara 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.

Key Financial Indicators

As on / for the period ended March 31		2022	2021
Operating income	Rs crore	2,430.93	2,059.27
Reported profit after tax	Rs crore	34.32	13.84
PAT margins	%	1.41	0.67
Adjusted Debt/Adjusted Net worth	Times	0.24	0.31
Interest coverage	Times	3.48	2.17

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 levels	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	357	NA	CRISIL BBB+/Stable
NA	Inland/Import Letter of Credit	NA	NA	NA	75	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
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Annexure - Rating History for last 3 Years

Instrument	Current			2023 (History)		2022		2021		2020		Start of 2020
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	357.0	CRISIL BBB+/Stable		--	28-01-22	CRISIL BBB+/Stable / CRISIL A2	15-01-21	CRISIL BBB+/Stable / CRISIL A2	03-09-20	CRISIL BBB+/Stable / CRISIL A2	CRISIL A2+ / CRISIL A-/Negative
			--		--		--		--	23-03-20	CRISIL BBB+/Stable / CRISIL A2	--
Non-Fund Based Facilities	ST	75.0	CRISIL A2		--		--	15-01-21	CRISIL A2	03-09-20	CRISIL A2	CRISIL A2+
			--		--		--		--	23-03-20	CRISIL A2	CRISIL A1/Watch Developing
Commercial Paper	ST	60.0	CRISIL A2		--	28-01-22	CRISIL A2	15-01-21	CRISIL A2	03-09-20	CRISIL A2	CRISIL A2+
			--		--		--		--	23-03-20	CRISIL A2	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	75	Citibank N. A.	CRISIL BBB+/Stable
Cash Credit	40	IDFC FIRST Bank Limited	CRISIL BBB+/Stable
Cash Credit	65	Standard Chartered Bank Limited	CRISIL BBB+/Stable
Cash Credit	60	Kotak Mahindra Bank Limited	CRISIL BBB+/Stable
Cash Credit	25	IndusInd Bank Limited	CRISIL BBB+/Stable
Cash Credit	35	The Federal Bank Limited	CRISIL BBB+/Stable
Cash Credit	50	HDFC Bank Limited	CRISIL BBB+/Stable
Cash Credit	5	ICICI Bank Limited	CRISIL BBB+/Stable
Cash Credit	2	The South Indian Bank Limited	CRISIL BBB+/Stable
Inland/Import Letter of Credit	25	The South Indian Bank Limited	CRISIL A2
Inland/Import Letter of Credit	50	YES Bank Limited	CRISIL A2

This Annexure has been updated on 04-Jan-2023 in line with the lender-wise facility details as on 04-Jan-2023 received from the rated entity.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Criteria for Notching up Stand Alone Ratings of Companies based on Parent Support
CRISILs Criteria for Consolidation

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