

Date: 6th September, 2018

To
The Department of Corporate services
Bombay Stock Exchange Limited
P.J Towers, Dalal Street
Mumbai-400001

To
National Stock Exchange of India Limited
5th Floor, Exchange Plaza
Bandra (E)
Mumbai-400051

Scrip Code: - 540425

Scrip Symbol- SHANKARA

Dear Sir /Madam,

Sub: - Intimation of Credit Rating received from CRISIL

In terms of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we hereby inform you that the Company has received "A" (stable) (upgraded from 'CRISIL A-/Stable') Credit Rating from CRISIL.

Kindly take above information on your records.

Thanking You

Yours faithfully
For Shankara Building Products Limited

Ereena Vikram

Ereena Vikram
Company Secretary & Compliance Officer

Rating Rationale

September 05, 2018 | Mumbai

Shankara Building Products Limited

Ratings upgraded to 'CRISIL A/Stable/CRISIL A1'

Rating Action

Total Bank Loan Facilities Rated	Rs.384 Crore (Enhanced from Rs.274 Crore)
Long Term Rating	CRISIL A/Stable (Upgraded from 'CRISIL A-/Stable')
Short Term Rating	CRISIL A1 (Upgraded from 'CRISIL A2+')

Rs.60 Crore Commercial Paper	CRISIL A1 (Upgraded from 'CRISIL A2+')
------------------------------	--

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has upgraded its ratings on the commercial paper and bank facilities of Shankara Building Products Limited (Shankara; part of the Shankara Buildpro group) to '**CRISIL A/Stable/CRISIL A1**' from 'CRISIL A-/Stable/CRISIL A2+'.

The upgrade reflects strong operating performance on account of continued business and infrastructure scale-up and increasing focus on retail operations; further supported by geographically diversified revenue and customer profiles. Operating margin continued to improve on the back of increase in revenue contribution from manufacturing. Operating performance will remain strong over the medium term on the back of healthy demand from end-user industry, few retailers providing multiple building products under one roof, and plan to increase retail presence by organic and inorganic expansions. This is likely to lead to higher accrual of over Rs 88 crore, which will be available to fund a new store and meet incremental working capital requirement. Hence, financial risk profile will remain robust over the medium term.

The ratings continue to reflect the Shankara Buildpro group's established presence in the building material distribution and retailing businesses, diversified product offering, geographical diversity, extensive experience of promoter, long association with vendors, and track record of profitable growth. These strengths are partially offset by presence in an industry where demand is linked to economic cycles and susceptibility of operating profitability to any sharp variation in raw material prices.

Analytical Approach

For arriving at the ratings, CRISIL has combined the financial and business risk profiles of 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, together referred to as the Shankara Buildpro group, have a common management and strong operational and financial links.

Key Rating Drivers & Detailed Description

Strengths

* **Established presence in the building material distribution and retailing business:** The group started operations as a distributor of pipes in 1995 and has since diversified into retailing building materials as well. It has a wide network of over 1,700 dealers, 0.69 million square feet (sq ft) of warehouse space, and 132 retail outlets. The group also has an in-house pipe and colour-coated roofing sheet processing capacity of 3.32 lakh tonne per annum.

* **Diversified product offering and wide geographical presence:** Longstanding relationship with suppliers such as JSW Steel, TATA Steel, Sintex, Uttam Galva, APL Apollo, Kajaria, and CERA has enabled the group to offer a diverse range of building materials. This gives the group a competitive edge.

* **Extensive experience of promoter and track record of profitable growth:** The group's promoter is a professionally qualified manager with about three decades of experience. He is helped by a competent second line of management.

* **Comfortable financial risk profile:** Networth was strong at Rs 431 crore and gearing healthy at 0.57 time, as on March 31, 2018. Debt protection metrics were adequate, with interest coverage and net cash accrual to adjusted debt ratios of 3.9 times and 0.57 time, respectively, for fiscal 2018. Retail operations are expected to remain asset light. Surplus generated from operations will be available to open new stores or fund incremental working capital requirement.

Weaknesses

* **Presence in industry where demand is linked to economic cycles:** The group is exposed to variation in demand for real estate and home improvement. Due to its wide geographical presence and product profile, it has been able to maintain steady growth in revenue and profitability in the past. However, many of the group's retail showrooms have a short track record and hence, continued growth in scale and profitability in a cyclical business will remain a monitorable over the medium term.

* **Susceptibility of operating margin to volatility in input prices:** Operating margin had been modest in the past, as is the case with any retail operation. Though profitability improved to 6.9% in fiscal 2018 from 6.6% in fiscal 2017 because of a higher proportion of value-added products, the same factor has also resulted in a large inventory. Hence, any sharp variation in raw material prices may affect operating margin and will, therefore, be 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; also, financial risk profile will remain robust over the medium term. The outlook may be revised to 'Positive' in case of a sustained growth in revenue and operating margin while maintaining working capital cycle. The outlook may be revised to 'Negative' if cyclical in business adversely affects revenue or operating margin, or if debt-funded capital expenditure puts pressure on financial risk profile.

About the Group

Incorporated in 1995 as Shankara Pipes India Pvt Ltd, the company's name was changed to Shankara Infrastructure Materials Ltd in 2011 and thereafter to the present one in 2016. Promoted by Mr Sukumar Srinivas, Shankara operates 132 retail showrooms in southern and western India, where it sells building and home improvement products for many renowned brands. The company also owns 0.69 million sq ft of warehouse space spread across 10 states. Furthermore, the group operates 14 pipe and colour-coated roofing sheet processing facilities through its wholly owned subsidiaries: Taurus, Vishal, and Centurywells.

Key Financial Indicators*

Particulars	Unit	2018	2017
Revenue	Rs crore	2548.8	2310.2
Profit After Tax (PAT)	Rs crore	73.8	58.78
PAT Margin	%	2.9	2.5
Adjusted debt/adjusted networth	Times	0.57	0.59
Interest coverage	Times	3.9	3.1

*Consolidated financials

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.Cr)	Rating Assigned with Outlook
NA	Bill Discounting	NA	NA	NA	45	CRISIL A/Stable
NA	Cash Credit	NA	NA	NA	325	CRISIL A/Stable
NA	Cash Management Service	NA	NA	NA	4	CRISIL A1
NA	Foreign Exchange Forward	NA	NA	NA	2	CRISIL A1
NA	Term Loan	NA	NA	Jun-2019	8	CRISIL A/Stable
NA	Commercial Paper	NA	NA	7 to 365 days	60	CRISIL A1

Annexure - Rating History for last 3 Years

Instrument	Current			2018 (History)		2017		2016		2015		Start of 2015
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Commercial Paper	ST	60.00	CRISIL A1			31-07-17	CRISIL A2+		--		--	--
Fund-based Bank Facilities	LT/ST	384.00	CRISIL A/Stable/CRISIL A1			31-07-17	CRISIL A-/Stable/CRISIL A2+		--		--	--
						14-07-17	CRISIL A-/Stable/CRISIL A2+					
						20-06-17	CRISIL A-/Stable					
Non Fund-based Bank Facilities	LT/ST					20-06-17	CRISIL A2+		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bill Discounting	45	CRISIL A/Stable	Bill Discounting	45	CRISIL A-/Stable
Cash Credit	325	CRISIL A/Stable	Cash Credit	215	CRISIL A-/Stable
Cash Management Service	4	CRISIL A1	Cash Management Service	4	CRISIL A2+
Foreign Exchange Forward	2	CRISIL A1	Foreign Exchange Forward	2	CRISIL A2+
Term Loan	8	CRISIL A/Stable	Term Loan	8	CRISIL A-/Stable
Total	384	--	Total	274	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

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

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

[CRISILs Criteria for Consolidation](#)

For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Saman Khan Media Relations CRISIL Limited D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com</p> <p>Naireen Ahmed Media Relations CRISIL Limited D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com</p>	<p>Mohit Makhija Director - CRISIL Ratings CRISIL Limited B:+91 124 672 2000 mohit.makhija@crisil.com</p> <p>Aditya Munshi Associate Director - CRISIL Ratings CRISIL Limited D:+91 22 4097 8105 aditya.munshi@crisil.com</p> <p>Keval Doshi Rating Analyst - CRISIL Ratings CRISIL Limited D:+91 22 4254 8335 Keval.Doshi@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites, portals etc.

About CRISIL Limited

CRISIL is a leading agile and innovative, global analytics company driven by its mission of making markets function better. We are India's foremost provider of ratings, data, research, analytics and solutions. A strong track record of growth, culture of innovation and global footprint sets us apart. We have delivered independent opinions, actionable insights, and efficient solutions to over 1,00,000 customers.

We are majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

About CRISIL Ratings

CRISIL Ratings is part of CRISIL Limited ("CRISIL"). We pioneered the concept of credit rating in India in 1987. CRISIL is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI"). With a tradition of independence, analytical rigour and innovation, CRISIL sets the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 24,500 large and mid-scale corporates and financial institutions. CRISIL has also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We also pioneered a globally unique rating service for Micro, Small and Medium Enterprises (MSMEs) and significantly extended the accessibility to rating services to a wider market. Over 1,10,000 MSMEs have been rated by us.

CRISIL PRIVACY

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer forms part of and applies to each credit rating report and/or credit rating rationale that we provide (each a "Report"). For the avoidance of doubt, the term "Report" includes the information, ratings and other content forming part of the Report. The Report is intended for the jurisdiction of India only. This Report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this Report does not create a client relationship between CRISIL and the user.

We are not aware that any user intends to rely on the Report or of the manner in which a user intends to use the Report. In preparing our Report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the Report is not intended to and does not constitute an investment advice. The Report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind or otherwise enter into any deal or transaction with the entity to which the Report pertains. The Report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Rating are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities / instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL assumes no obligation to update its opinions following publication in any form or format although CRISIL may disseminate its opinions and analysis. CRISIL rating contained in the Report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the Report should rely on their own judgment and take their own professional advice before acting on the Report in any way.

Neither CRISIL nor its affiliates, third party providers, as well as their directors, officers, shareholders, employees or agents (collectively, "CRISIL Parties") guarantee the accuracy, completeness or adequacy of the Report, and no CRISIL Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Report. EACH CRISIL PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities

or from obligors. CRISIL's public ratings and analysis as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any) are made available on its web sites, www.crisil.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about CRISIL ratings are available here: www.crisilratings.com.

CRISIL and its affiliates do not act as a fiduciary. While CRISIL has obtained information from sources it believes to be reliable, CRISIL does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and / or relies in its Reports. CRISIL keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of CRISIL may have information that is not available to other CRISIL business units. CRISIL has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL has in place a ratings code of conduct and policies for analytical firewalls and for managing conflict of interest. For details please refer to: <https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>

CRISIL's rating criteria are generally available without charge to the public on the CRISIL public web site, www.crisil.com. For latest rating information on any instrument of any company rated by CRISIL you may contact CRISIL RATING DESK at CRISILratingdesk@crisil.com, or at (0091) 1800 267 1301.

This Report should not be reproduced or redistributed to any other person or in any form without a prior written consent of CRISIL.

All rights reserved @ CRISIL