

Press Release

SKYWAY RMC PLANTS PRIVATE LIMITED (SRPPL)

16 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 150.00 Cr.
Long Term Rating	SMERA BBB+/ Outlook: Stable
Short Term Rating	SMERA A2

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB+** (read as SMERA triple B plus) and short term rating of '**SMERA A2**' (read as SMERA A two) on the Rs. 150.00 crore bank facilities of SKYWAY RMC PLANTS PRIVATE LIMITED (SRPPL). The outlook is '**Stable**'.

The Mumbai-based Skyway RMC Plants Private Limited (SRPPL) was incorporated in 2009 to take over the operations of the partnership firm Skyway RMC Plants established in 2004. The company promoted by Mr. Kevin Singh Kohli and Mr. Rashmeet Singh Kohli is engaged in the manufacturing of Ready-Mix Concrete (RMC). SRPPL has 17 batching plants located across Mumbai with aggregate installed capacity of 30.00 lakh cubic meters to manufacture RMC.

Key rating drivers

Strengths

Experienced management and established track record of operations

The promoters, Mr. Kevin Singh Kohli and Mr. Rashmeet Singh Kohli have a decade of experience in manufacturing RMC. Mr. Kevin Singh Kohli, has been the Managing Director of SRPPL for the last 13 years. He is backed by a team of experienced professionals from the construction industry.

Above average financial risk profile

SRPPL has above average financial risk profile marked by tangible net worth of Rs. 119.19 crore as on 31st March, 2017 as against Rs. 110.67 crore as on 31st March, 2016. The gearing stood at 1.24 times as on 31st March, 2017 as against 1.09 times as on 31st March, 2016. The debt of Rs. 147.50 crore mainly consists of term loans of Rs. 36.41 crore and working capital borrowings of Rs. 111.09 crore as on 31 March 2017. The Interest Coverage Ratio (ICR) stood at 2.25 times for FY2017 as against 1.93 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood at 1.97 times for FY2017 as against 1.74 times in FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.79 times as on 31st March, 2017 as against 1.41 times as on 31st March, 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.11 times as on 31st March, 2017. Going forward, SMERA expects the company to maintain its financial risk profile in the absence of major debt funded capex plans.

Healthy revenue growth

SRPPL registered revenues of Rs. 485.06 crore in FY2017 as against Rs. 434.21 crore in FY2016 and Rs. 367.10 crore in FY2015. Further, during April 2017 to December 2017, the company registered revenue of Rs. 386.00 crore. SRPPL has an unexecuted order book position of Rs. 2768.50 crore which provides revenue visibility over the medium term.

Reputed clientele

SRPPL has healthy relations with customers. It caters to Larsen & Toubro (L&T), TATA Group, Wadhwa Group, Rustomjee Group, Capacite Infra Projects Limited among others.

Weaknesses

Working capital intensive operations

SRPPL's operations are working capital intensive marked by Gross Current Asset (GCA) of 156 days in FY2017 compared to 135 days in FY2016. The GCA days are mainly dominated by debtor days of 102 days in FY2017 compared to 91 days in FY2016 whereas the inventory mainly comprises raw materials in the range of 25 to 40 days. The average cash credit utilisation for the past six months stood at ~90 percent. SMERA believes that the efficient working capital management will be crucial to the firm in order to maintain a stable credit profile.

Vulnerability to cyclicity in the construction and real estate industries

SRPPL is engaged in the manufacturing of RMC used largely in the real estate and infrastructure industries. Hence, it is exposed to cyclicity in the construction and real estate industries.

Intense market competition

The company operates in a highly competitive industry characterised by large number of established players including ACC, RMC-India, Lafarge and other unorganised players.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of SRPPL to arrive at the rating.

Outlook – Stable

SMERA believes that SRPPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins, or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	485.06	434.21	367.10
EBITDA	Rs. Cr.	36.02	34.43	28.34
PAT	Rs. Cr.	8.51	7.60	7.01
EBITDA Margin	(%)	7.43	7.93	7.72

PAT Margin	(%)	1.75	1.75	1.91
ROCE	(%)	11.39	13.48	26.02
Total Debt/Tangible Net Worth	Times	1.24	1.09	1.04
PBDIT/Interest	Times	2.25	1.93	1.99
Total Debt/PBDIT	Times	4.09	3.49	3.33
Gross Current Assets (Days)	Days	156	135	139

Status of non-cooperation with previous CRA (if applicable):

SRPPL has not cooperated with CRISIL which has classified it as issuer not cooperative vide release dated January 25, 2018. The reason provided by CRISIL is non-furnishing of information for monitoring of ratings.

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	35.00	SMERA BBB+ /Stable
Cash Credit #	Not Applicable	Not Applicable	Not Applicable	40.00	SMERA BBB+ /Stable
Cash Credit ##	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA BBB+ /Stable
Purchase Bill Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A2
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A2
Letter of Credit ###	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA A2
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A2
Bank Guarantee #####	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A2

Cash Credit (Proposed)	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA BBB+ /Stable
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includes sublimit of Purchase Bill Discounting to the extent Rs. 15.00 crore

includes sublimit of Purchase Bill Discounting to the extent Rs. 5.00 crore

includes sublimit of Bank Guarantee to the extent Rs. 7.50 crore

includes sublimit of Letter of Credit to the extent Rs. 2.50 crore

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: +91-22-6714 1107 suman.chowdhury@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Avadhoot Mane, Analyst - Rating Operations Tel: +91-22-6714 1138 avadhoot.mane@smera.in	

ABOUT SMERA

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