

Press Release

Skyway RMC Plants Private Limited

May 15, 2019

Rating Downgraded



Total Bank Facilities Rated*	Rs.150.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable (Downgraded from ACUITE BBB+/Stable)
Short Term Rating	ACUITE A3+ (Downgraded from ACUITE A2)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.150.00 crore bank facilities of Skyway RMC Plants Private Limited. The outlook is '**Stable**'.

The downgrade is in view of significant moderation in the revenues of the company against Acuité expectation, deterioration in the working capital operations and liquidity profile on account of higher than expected debt funded capital expenditure by the company.

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 16 batching plants located across Mumbai with aggregate installed capacity of 30.00 lakh cubic meters to manufacture RMC.

Analytical Approach

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

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.

Acuité believes that SRPPL will continue to benefit from the promoter's established presence in the industry 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.

- **Moderate financial risk profile**

The financial risk profile of SRPPL is moderate marked by healthy net worth, moderate debt protection measures and gearing. The net worth stood at around Rs.127.75 crore as on 31 March, 2018 as against Rs.119.19 crore as on 31 March, 2017. The gearing of SRPPL has deteriorated to 1.41 times as on March 31, 2018 as compared to 1.24 times as on March 31, 2017 on account of additional debt taken for the purchase of office premises. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.01 times as on 31 March, 2018 as against 1.79 times as on 31 March, 2018. Interest Coverage Ratio (ICR) has stood at 2.13 times in FY2018 as compared to 2.25 times in FY2017. Debt Service Coverage Ratio (DSCR) has also deteriorated to 1.13 times in FY2018 from 1.42 times in FY2018.

Acuité believes that the financial risk profile of SRPPL will continue to remain moderate over the medium

term on account of its high repayment obligations over near to medium term.

Weaknesses

- Working capital intensive operations**

SRPPL's operations are working capital intensive marked by Gross Current Asset (GCA) of 179 days in FY2018 compared to 156 days in FY2017. The GCA days are mainly dominated by debtor days of 111 days in FY2018 compared to 102 days in FY2017 whereas the inventory mainly comprises raw materials. The GCA days deteriorated further in FY2019 (Estimated) to 204 days on account of increase in the inventory levels which stood at 70 days while the debtors stood at 105 days. The average working capital limits utilisation stood at ~98 percent for the past six months ended April 2019.

Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- Vulnerability to cyclicity in the construction and real estate industries**

SRPPL registered significant moderation in the revenues which stood at Rs.415.14 crore for FY2019 (Estimated) as against Rs.432.80 crore for FY2018 as against Rs.485.06 crore for FY2017. The moderation in the revenues was mainly on account of slowdown in the orders from its customers.

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.

Liquidity position

SRPPL has moderate liquidity profile marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.13.23 to Rs.16.16 crore during the last three years through 2017 - 18, while its maturing debt obligations were in the range of Rs.12.00 to Rs.16.00 crore over the same period. The cash accruals of the company are estimated to remain at around Rs.17.00 - Rs.20.00 crore during 2019-21 while its debt obligations are expected to be around Rs.15.00- Rs.17.00 crore for the same period. SRPPL has working capital intensive operations marked by GCA of 179 days in FY2018 compared to 156 days in FY2017. The average working capital limits utilisation stood at ~98 percent for the past six months ended April 2019.

Outlook: Stable

Acuite 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	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	432.80	485.06	434.21
EBITDA	Rs. Cr.	40.00	36.02	34.43
PAT	Rs. Cr.	8.56	8.51	7.60
EBITDA Margin	(%)	9.24	7.43	7.93
PAT Margin	(%)	1.98	1.75	1.75
ROCE	(%)	10.99	11.39	13.48
Total Debt/Tangible Net Worth	Times	1.41	1.24	1.09
PBDIT/Interest	Times	2.13	2.25	1.93
Total Debt/PBDIT	Times	4.51	4.09	3.49
Gross Current Assets (Days)	Days	179	156	135

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
16-Feb-18	Cash Credit	Long term	35.00	ACUITE BBB+/Stable (Assigned)
	Cash Credit #	Long term	40.00	ACUITE BBB+/Stable (Assigned)
	Cash Credit ##	Long term	30.00	ACUITE BBB+/Stable (Assigned)
	Purchase Bill Discounting	Short Term	5.00	ACUITE A2 (Assigned)
	Letter of Credit	Short Term	10.00	ACUITE A2 (Assigned)
	Letter of Credit ###	Short Term	7.50	ACUITE A2 (Assigned)
	Bank Guarantee	Short Term	5.00	ACUITE A2 (Assigned)
	Bank Guarantee ####	Short Term	2.50	ACUITE A2 (Assigned)
	Proposed Cash Credit	Long term	15.00	ACUITE BBB+/Stable (Assigned)

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

*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	ACUITE BBB/Stable (Downgraded from ACUITE BBB+/Stable)
Cash Credit #	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE BBB/Stable (Downgraded from ACUITE BBB+/Stable)
Cash Credit ##	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BBB/Stable (Downgraded from ACUITE BBB+/Stable)
Purchase Bill Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ (Downgraded from ACUITE A2)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3+ (Downgraded from ACUITE A2)
Letter of Credit ###	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A3+ (Downgraded from ACUITE A2)

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ (Downgraded from ACUITE A2)
Bank Guarantee #####	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A3+ (Downgraded from ACUITE A2)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB/Stable (Downgraded from ACUITE BBB+/Stable)

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

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About Acuité Ratings & Research:

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