

Press Release
Skyway RMC Plants Private Limited

July 02, 2020



Rating Reaffirmed Outlook Revised

Total Facilities Rated*	Rs.150.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Negative (Revised from ACUITE BBB/ Stable)
Short Term Rating	ACUITE A3+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

The revision in outlook is on the account of significant moderation in revenues and stretched working capital cycle which is expected to continue to over near term.

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. SRPPL is engaged in the manufacturing of Ready-Mix Concrete (RMC). SRPPL has 17 batching plants located across Mumbai with aggregate installed capacity of 10.00 lakh cubic meters to manufacture RMC. The company is promoted by Mr. Kevin Singh Kohli and Mr. Rashmeet Singh Kohli.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Skyway RMC Plants Private Limited (SRPPL) to arrive at the rating.

Key Rating Drivers

Strengths

• Long track record of operations

SRPPL is operating since 2004. The company is supplying its manufactured RMC to top builders of Mumbai like, Larsen & Toubro (L&T), TATA Group, Wadhwa Group, Rustomjee Group, Capacite Infra Projects Limited among others. SRPPL is promoted by Mr. Kevin Singh Kohli and Mr. Rashmeet Singh Kohli, who possess experience of almost two decades. The established track record of company and extensive experience have helped SRPPL to establish long working relations with top builders. SRPPL has also diversified by supplying RMC to construction companies accounted for 30% in FY2020 and further increased to 40% in FY2021.

Acuité believes that SRPPL will continue to benefit from the established presence in the industry and its promoter's experience over the medium term.

• Healthy financial risk profile

SRPPL's financial risk profile is healthy, marked by healthy net worth, moderate gearing and healthy debt protection metrics. The net worth of SRPPL is healthy at around Rs.154.67 crore as on March 31, 2020 (Provisional) as against Rs.137.20 crore as on March 31, 2019. The net worth levels have seen significant improvement over the last three years through FY2020 (Provisional) on account of healthy accretion to reserves. The company has followed a moderate financial policy, the same is reflected through its peak gearing in the past around 1.41 times as on March 31, 2018 and improved marginally to 1.07 times as on 31 March, 2020 (Provisional). The total debt of Rs.164.74 crore as on 31 March 2020 (Provisional) comprises of working capital borrowings of Rs.108.04 crore, terms loans of Rs.51.45 crore and unsecured loans from promoters of Rs.5.25 crore. The total outside liabilities to tangible net worth (TOL/TNW) level stood at 1.51 times as on March 31, 2020 (Provisional) as against 1.96 times as on March 31, 2019. The debt protection metrics are healthy marked by Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR).

stood at 2.52 times and 2.40 for FY2020 (Provisional) as against 2.32 times and 1.02 times for FY2019, respectively. NCA/TD stood healthy at 0.17 times in FY2020 (Provisional) against 0.10 times in FY2019. Acuité believes that the financial risk profile is expected to be at similar levels over the medium term.

Weaknesses

- **Working capital intensive operations**

SRPPL's operations are working capital intensive marked by Gross Current Asset (GCA) of 245 days for FY2020 (Provisional) as against 202 days in FY2019. GCA days are mainly dominated by inventory days of 90 for FY2020 (Provisional) increased from 48 days for FY2019. SRPPL's raw material inventory policy includes cement for 15-30 days, aggregates for 3-6 months and further, lockdown due to Covid-19 gave rise to the inventory days. Debtor days are also on higher side, marked by 130 days for FY2020 (Provisional) as compared to 128 days for FY2019. SRPPL offers credit of around 120 days to its retail customers and corporate orders. The average working capital limits utilisation stood at ~98 percent for the past one year ended May 2020. Creditor days stood at 100 for FY2020 (Provisional) as against 86 days for FY2019. Acuité believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

- **Susceptibility to revenues due to cyclical in Real Estate & Construction along with moderate order book position**

The operations of SRPPL is manufacturing of RMC and supplying to Real Estate (60%) and Construction companies (40%). So, the revenues of SRPPL are associated with cyclical in real estate industry, marked by operating income stood at Rs.339.12 crore in FY2020 (Provisional) as against Rs.416.65 crore in FY2019 and Rs.432.80 crore in FY2018. Further, the current market scenario of COVID-19 would impact the completion of on-going projects as, project sites are shut, migration of labor back to their hometowns. SRPPL has moderate order book position of Rs.199.00 crore, which is executable by FY2021. Apart from it, company caters to retail customers, which provides revenue visibility for near to medium term.

Rating Sensitivities

- Improvement in operating income while maintaining profitability
- Any further elongation in working capital cycle would have a negative bias for the rating

Material Covenants

None

Liquidity position: Adequate

SRPPL has adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.16.16-27.19 crore during the last two years through FY2020 (Provisional), while its maturing debt obligations stood around Rs.12.50 crore over the same period. The cash accruals of the company are estimated to remain around Rs.14-20.00 crore during 2021-23, while its repayment obligation are estimated to be around Rs.9.73 crore. The working capital operations of the company are intensive marked by gross current asset (GCA) days of 245 in FY2020 (Provisional). The average cash credit limit remains utilised at 98 percent during the last one year ended May 2020. The company maintains unencumbered cash and bank balances of Rs.0.04 crore and fixed deposits of Rs.2.74 crore as on March 31, 2020 (Provisional). The current ratio stands at 1.24 times as on March 31, 2020 (Provisional). Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of sufficient cash accrual against repayments over the medium term.

Outlook: Negative

Acuité believes that the SRPPL's credit profile will be impacted by significant moderation in the operating income and elongated working capital cycle over the near to medium term. The rating may be downgraded in case of continued moderation in its revenue or working capital elongation impacting the liquidity pressure aggravate further. Conversely, the outlook may be revised to 'Stable' if the company receives new contracts with its key customers thereby translating into significant improvement in its revenue and liquidity profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY18 (Actual)
Operating Income	Rs. Cr.	339.12	416.65
PAT	Rs. Cr.	17.47	9.45
PAT Margin	(%)	5.15	2.27
Total Debt/Tangible Net Worth	Times	1.07	1.33
PBDIT/Interest	Times	2.52	2.32

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-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
15-May-2019	Cash Credit	Long Term	35.00	ACUITE BBB / Stable (Downgraded from ACUITE BBB+/ Stable)
	Cash Credit#	Long Term	40.00	ACUITE BBB / Stable (Downgraded from ACUITE BBB+/ Stable)
	Cash Credit##	Long Term	30.00	ACUITE BBB / Stable (Downgraded from ACUITE BBB+/ Stable)
	Bill Discounting	Short Term	5.00	ACUITE A3+ (Downgraded from ACUITE A2)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Downgraded from ACUITE A2)
	Letter of Credit##	Short Term	7.50	ACUITE A3+ (Downgraded from ACUITE A2)
	Bank Guarantee	Short Term	5.00	ACUITE A3+ (Downgraded from ACUITE A2)
	Bank Guarantee####	Short Term	2.50	ACUITE A3+ (Downgraded from ACUITE A2)
	Proposed Cash Credit	Long Term	15.00	ACUITE BBB / Stable (Downgraded from ACUITE BBB+/ Stable)
16-Feb-2018	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)

	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 Available	Not Applicable	Not Available	35.00	ACUITE BBB/Negative (Revised from ACUITE BBB/ Stable)
Cash Credit#	Not Available	Not Applicable	Not Available	40.00	ACUITE BBB/Negative (Revised from ACUITE BBB/ Stable)
Cash Credit##	Not Available	Not Applicable	Not Available	30.00	ACUITE BBB/Negative (Revised from ACUITE BBB/ Stable)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3+ (Reaffirmed)
Letter of Credit	Not Available	Not Applicable	Not Available	15.00	ACUITE A3+ (Reaffirmed)
Letter of Credit###	Not Available	Not Applicable	Not Available	7.50	ACUITE A3+ (Reaffirmed)
Bank Guarantee####	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A3+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB/Negative (Revised from ACUITE BBB/ Stable)

includes sublimit of Purchase Bill Discounting to the extent Rs.15.00 crore

& includes sublimit of WCDL to the extent Rs.35.00 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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