

Press Release

Skyway RMC Plants Private Limited

August 25, 2021

Rating Downgraded, Withdrawn & Outlook Revised



Total Bank Facilities Rated*	Rs.135.00 Cr. (Reduced from Rs.150.00 Cr.)
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Downgraded & Withdrawn; Outlook Revised)
Short Term Rating	ACUITE A3 (Downgraded)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating to '**ACUITE A3**' (read as **ACUITE A three**) from '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.135.00 crore bank facilities of Skyway RMC Plants Private Limited (SRPPL). The outlook is revised to '**Stable**' from '**Negative**.'

Acuite has also downgraded and withdrawn the long-term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) from '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.15.00 crore proposed bank facility of SRPPL.

The rating downgrade is on account of higher than expected moderation in financial risk profile and liquidity profile of SRPPL. SRPPL's operating income in FY21 (Provisional) declined by 32.46per cent to Rs.226.43 crore and its net profit plunged by 48.43per cent to Rs.3.05 crore. This has impacted the financial risk profile marked by a moderation in gearing position and debt protection metrics to some extent. While the company's debt to equity ratio increased to 1.20 times as on March 31, 2021 (Provisional) from 1.15 times a year back, its interest coverage ratio fell to 1.89 times in FY21 (Provisional) from 2.09 times in FY20. Further, SRPPL witnessed a stretch in working capital cycle marked by GCA days increasing to 317 for FY21 (Provisional) from 236 for FY20. The company also availed additional debt under Covid-19 schemes to support near term liquidity.

About the Company

Mumbai-based, SRPPL was incorporated in 2009 to take over the operations of the partnership firm Skyway RMC Plants established in 2004. SRPPL is mainly engaged in 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. Besides, the company, promoted by Mr. Kevin Singh Kohli and Mr. Rashmeet Singh Kohli, also manufactures sand and stone and undertakes infrastructure projects. While, ~85per cent of sand and stone is used for captive purpose.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of 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, Rustonjee Group and 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 infrastructure companies accounting for ~40-45per cent of overall RMC business in FY2021 and the rest 55-60per cent is accounted by real estate segment. SRPPL's order book, expected to be executed in the near term, stands at Rs.217.50 crore as on June 30 2021. This is apart from new orders, which the company receives every year. Acuite believes that SRPPL will continue to benefit from the established presence in the industry and its promoter's experience over the medium term.

- **Moderate financial risk profile**

SRPPL has a moderate financial risk profile marked by rising net worth, moderate gearing position and modest debt protection metrics. The company's net worth as on March 31, 2021 (Provisional) stood at Rs.149.95 crore compared to Rs.146.90 crore as on March 31, 2020.

Debt to equity ratio of the company stood marginally higher at 1.20 times as on March 31, 2021 (Provisional) compared to 1.15 times a year back. This was led by higher debt level. The company's total debt, as on March 31, 2021 (Provisional), was Rs.179.27 crore, comprising long-term debt of Rs.62.83 crore, short-term debt of Rs.111.20 crore and unsecured loans from promoters/related parties of Rs.5.25 crore. The company had availed additional loans in FY21 mainly under Covid-19 schemes. With expectations of no significant debt-funded capex, debt to equity ratio of the company is expected to improve from FY22 onwards and it would stand below unity over a medium term. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.4 times as on March 31, 2021 (Provisional) compared to 1.64 times a year back.

With lower operating profits, interest coverage ratio of the company also declined to 1.89 times in FY21 (Provisional) from 2.09 times in FY20 and DSCR remained almost flat at the year-ago level of 1.2 times. Going ahead, both the coverage indicators would remain at a moderate level of around 1.2 to 2.2 times over a medium term.

Weaknesses

- **Working capital intensive nature of operations**

While SRPPL has intensify working capital operations, it got stretched in FY21 (Provisional) due to Covid-19-led challenges. GCA days, for FY21 (Provisional), stood at 317 compared to 236 for FY20. This was led by higher inventory level and collection period. Inventory days stood at 112 for FY21 (Provisional) compared to 65 a year back, debtor days increased to 175 for FY21 (Provisional) from 133 in FY20. Average fund-based bank limit utilization during the three months through June '21 too stood higher at ~95per cent. Going ahead, GCA days are expected to remain higher at over 245 during FY22 to FY24.

- **Susceptible to revenue due to cyclicity in real estate and Covid-19 impact**

The main operations of SRPPL is manufacturing of RMC and supplying to real estate (55-60per cent) and infrastructure (40-45per cent) companies. So, the revenues of SRPPL are associated with cyclicity in real estate industry marked by continuous decline in revenue in the past couple of years.

Further, the company's overall operating performance in FY21 (Provisional) got sharply impacted by Covid-19-led challenges. SRPPL reported 32.46per cent decline in operating income to Rs.226.43 crore in FY21 (Provisional) and capacity utilization also declined to ~47per cent in FY21 compared to ~67per cent in FY20 and 76-77per cent in pre-covid years. However, cost rationalization efforts resulted in improvement in EBITDA margin to 14.65per cent in FY21 (Provisional) from 11.09per cent in FY20. This confined the overall impact of lower revenue on the bottom-line. Profit after tax of the company declined by 48.43per cent in FY21 (Provisional) to Rs.3.05 crore. Acuite believes achieving pre-Covid level of revenue would take some time amid Covid-19. Despite lower base, the company's revenue would increase at a CAGR of ~16per cent during FY22 to FY24 and EBITDA margin would remain at a healthy level of ~10.8per cent in the medium term.

The company's ability to improve business performance, resulting in liquidity protection would be a key monitorable going ahead.

Rating Sensitivities

- Improvement in operating income while maintaining healthy operating profitability
- Elongation in working capital cycle

Material Covenants

- Financial Ratios:

DSCR	Minimum 1.33 times
Interest coverage ratio	Minimum 3 times
Term debt to cash profit	<2.5 times

- ATNW to be maintained at Rs.159.9 crore as on March 31, 2020
- Infusion of unsecured loans as quasi capital of Rs.6 crore in FY21

Liquidity Position – Adequate

With expectations of some improvement in business, SRPPL's liquidity position would remain adequate going ahead marked by sufficient net cash accruals to debt repayment obligations. Cash accruals are expected in the range of Rs.15 crore to 18.74 crore during FY22 to FY24 compared to debt repayment of Rs.10 crore to Rs.12.5 crore during the said period.

While, in FY21 liquidity position of the company also got impacted due to Covid-19. However, emergency credit lines under Covid-19 offered liquidity support. Average fund-based bank limit utilization during the three months ended June '21 stood higher at ~95 per cent. Current ratio of the company stood at a moderate level of 1.33 times as on March 31, 2021 (Provisional).

Outlook: Stable

Acuite believes that outlook for SRPPL would remain 'Stable' over a medium term with improved demand scenario for real estate and infrastructure segment supported by experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company reports faster than expected recovery in revenue, while maintaining healthy operating margin. Conversely, the outlook may be revised to 'Negative' in case the company reports lower than expected revenue and further stretch in working capital cycle, resulting in further moderation in financial risk profile and liquidity pressure.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	226.43	335.26
PAT	Rs. Cr.	3.05	5.92
PAT Margin	(%)	1.35	1.77
Total Debt/Tangible Net Worth	Times	1.20	1.15
PBDIT/Interest	Times	1.89	2.09

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.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
02-Jul-2020	Cash Credit &	Long-term	35.00	ACUITE BBB/Negative (Revised from ACUITE BBB/ Stable)
	Cash Credit #	Long-term	40.00	ACUITE BBB/Negative (Revised from ACUITE BBB/ Stable)
	Cash Credit ##	Long-term	30.00	ACUITE BBB/Negative

				(Revised from ACUITE BBB/ Stable)
	Bill Discounting	Short-term	5.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short-term	15.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit###	Short-term	7.50	ACUITE A3+ (Reaffirmed)
	Bank Guarantee####	Short-term	2.50	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Long-term	15.00	ACUITE BBB/Negative (Revised from ACUITE BBB/ Stable)
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-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)
	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
 & includes sublimit of WCDL to the extent Rs.35.00 crore

***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Axis Bank	Cash Credit&	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE BBB-/Stable (Downgraded from ACUITE BBB and Outlook revised from 'Negative')
HDFC Bank	Cash Credit#	Not Available	Not Available	Not Available	40.00	ACUITE BBB-/Stable (Downgraded from ACUITE BBB and Outlook revised from 'Negative')
ICICI Bank	Cash Credit##	Not Available	Not Available	Not Available	30.00	ACUITE BBB-/Stable (Downgraded from ACUITE BBB and Outlook revised from 'Negative')
HDFC Bank	Purchase bill discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 (Downgraded from ACUITE A3+)
Axis Bank	Letter of Credit&&	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3 (Downgraded from ACUITE A3+)
HDFC Bank	Letter of Credit###	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE A3 (Downgraded from ACUITE A3+)
ICICI Bank	Bank Guarantee####	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A3 (Downgraded from ACUITE A3+)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB- (Downgraded from ACUITE BBB/Stable and Withdrawn)

includes sublimit of Purchase Bill Discounting to the extent Rs.20.00 crore (increased from 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
 & includes sublimit of WCDL to the extent Rs.35.00 crore
 && includes sub-limit of Bank Guarantee to the extent Rs.15.00 crore

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