

Press Release

Skyway RMC Plants Private Limited

November 14, 2022



Rating Reaffirmed & Outlook Revised

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	107.50	ACUITE BBB- Positive Reaffirmed Stable to Positive	-
Bank Loan Ratings	27.50	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	135.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Rationale for Revision in Outlook

The revision in outlook from Stable to Positive considers the significant growth in scale of operation in company in FY 2022 to Rs 390.56 crore from Rs 207.36 crore in FY 2021 with healthy order book position of Rs 901.06 crore as on October 2022 which gives revenue visibility over the medium term. Further, the rating takes into account the moderate financial risk profile and adequate liquidity position. However, the rating is constrained by working capital intensive nature of operations along with high reliance on working capital limits with an average utilisation of more than 95% for 6 months ended July 2022. Further, it also considers the highly competitive nature of industry due to tender based nature of operations.

About the Company

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 is promoted by Mr. Kevin Singh Kohli and Mr. Rashmeet Singh Kohli. SRPPL is mainly engaged in manufacturing of Ready-Mix Concrete (RMC). Besides RMC, the company also manufactures sand stone and is a class-A PWD contractor.

About the Group

Mumbai-based, Strongbuilt Constructions Private Limited (SCPL) was incorporated in 2011. The directors of the company are Mr. Rashmeet Singh Kohli, Mr. Kevin Singh Kohli and Mr. Jagpreet Singh Kohli and the company is engaged in undertaking EPC (engineering, procurement, and construction) contracts of constructing shell and core for real estate industry. SKC Trading Building Materials Incorporated in 2005, the company mainly engaged in trades in building materials.

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, TATA Group, Wadhwa Group, Hiranandani 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. The revenue of the company constitutes of 95% from supplying RMC to infrastructure companies and the remaining is from Civil contract and Cement trading in FY2022.

Further, the revenue of the company has also increased significantly to Rs 390.56 crore in FY 2022 as against Rs 207.36 crore in FY 2021 with healthy order book position of Rs 901.06 crore as on October 2022 which gives revenue visibility over the medium term.

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

The financial risk profile of the company stood comfortable marked by moderate net worth, gearing, and moderate debt protection metrics. The tangible net worth stood at Rs.160.64 crore as on 31 March 2022 as against Rs.151.09 crore as on 31 March 2021 and Rs.146.90 crore as on 31 March, 2020. The total debt of the company stood at Rs.168.25 crore includes Rs.56.80 crore of long-term debt, Rs.111.46 crore of short-term debt as on 31 March, 2022. The gearing (debt-equity) stood at 1.05 times as on 31 March 2022 as compared to 1.16 times as on 31 March, 2021 and 1.15 times as on 31 March, 2020. Interest Coverage Ratio stood at 2.13 times for FY2022 as against 1.85 times for FY2021 and 2.09 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 1.99 times in FY2022 as against 1.19 times in FY2021 and 1.20 times in FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.41 times as on 31 March, 2022 as against 1.51 times as on 31 March, 2021 and 1.64 times as on 31 March, 2020. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.12 times for FY2022 as against 0.09 times for FY2021 and 0.11 times for FY2020.

Acuite believes that SRPPL may maintain moderate financial risk profile in medium term with moderate cash accruals and no major debt-funded capex planned in the future

Weaknesses

>Working capital intensive nature of operations

The working capital management of the company is moderately intensive marked by GCA days of 216 days in FY2022 as against 386 days in FY2021 and 236 days in FY2020. The debtor days stood at 113 days in FY2022 as against 179 days in FY2021 and 133 days in FY2020. The average credit period allowed to customers of 90- 110 days. The reason for high debtors is because the company billings happen in the end of the month of March and the payment period mostly comes in April. The creditor days stood at 59 days in FY2022 as against 110 days in FY2021 and 89 days in FY2020. The average credit period allowed by suppliers is of 15-30 days. The inventory holding period of the company stood at 77 days in FY2022 as against 174 days in FY2021 and 65 days in FY2020. The average inventory holding period is around 60 days. Acuite believes that SRPPL's GCA days may remain moderate in the medium term, thus maintaining intensive working capital operations considering the nature of business.

>Geographical concentration and tender-based business

SRPPL's entire business is from Mumbai and Thane. Thus, any negative development in this state/district would have a sharp negative implications on SRPPL's overall operating performance and so on financial risk profile and liquidity. Further, majority of business of SRPPL is based on tenders floated by Prestige Group, Piramal Group, Lodha Group, etc. Thus, the company's revenue is subject to the successful bidding of orders amidst high competitive intensity, which also impacts the pricing power of players.

Rating Sensitivities

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

Material covenants

None.

Liquidity Position: Adequate

The company's liquidity position is adequate marked by moderate net cash accruals against its maturing debt obligations. The company has net cash accruals in the range of Rs.15.22-Rs.20.88 Crore from FY 2020- 2022 against its maturing debt obligations in the range of Rs.9.75 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.29.09-35.25 crores against the maturing repayment obligations of around Rs.9.74-Rs.12.10 crore over the medium term. The working capital management of the company is moderately intensive marked by GCA days of 216 days in FY2022 as against 386 days in FY2021 and 236 days in FY2020. The company maintains unencumbered cash and bank balances of Rs.1.40 crore as on March 31, 2022. The current ratio stands at 1.42 times as on March 31, 2022. The average bank limit utilization for past 06 months ending July 2022 in CC limits for HDFC Bank is ~98.72 percent, for Axis Bank is ~98.85 percent and for IndusInd Bank is ~90- 95%. The average LC utilization for HDFC Bank Ltd is ~99.33 percent and for Axis Bank is ~99.58 percent.

Aucite believes that the company's liquidity position would remain adequate in the medium term with sufficient net cash accruals to the maturing debt obligations.

Outlook: Positive

Aucite believes that outlook for SRPPL will remain 'Positive' 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 rating could be upgraded in case the company registers higher than expected growth in its revenue and profitability whilst efficiently managing the working capital cycle with the enhancement in banking facilities to cater to such operations. Conversely, the outlook may be revised to 'Stable' 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	390.56	207.36
PAT	Rs. Cr.	9.55	4.19
PAT Margin	(%)	2.45	2.02
Total Debt/Tangible Net Worth	Times	1.05	1.16
PBDIT/Interest	Times	2.13	1.85

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

Not Available.

Any other information

None.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Aug 2021	Cash Credit	Long Term	40.00	ACUITE BBB- Stable (Downgraded from ACUITE BBB Negative)
	Bank Guarantee	Short Term	2.50	ACUITE A3 (Downgraded from ACUITE A3+)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Downgraded from ACUITE A3+)
	Cash Credit	Long Term	35.00	ACUITE BBB- Stable (Downgraded from ACUITE BBB Negative)
	Cash Credit	Long Term	30.00	ACUITE BBB- Stable (Downgraded from ACUITE BBB Negative)
	Letter of Credit	Short Term	7.50	ACUITE A3 (Downgraded from ACUITE A3+)
	Proposed Bank Facility	Long Term	15.00	ACUITE BBB- (Downgraded and Withdrawn)
	Bills Discounting	Short Term	5.00	ACUITE A3 (Downgraded from ACUITE A3+)
02 Jul 2020	Bills Discounting	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	35.00	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE BBB Negative (Reaffirmed)
	Letter of Credit	Short Term	7.50	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	2.50	ACUITE A3+ (Reaffirmed)
	Proposed Cash Credit	Long Term	15.00	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	30.00	ACUITE BBB Negative (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Long Term	15.00	ACUITE BBB Negative (Reaffirmed)
	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)
	Cash Credit	Long Term	35.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Letter of Credit	Short Term	10.00	ACUITE A3+ (Downgraded from ACUITE A2)

15 May 2019	Bills Discounting	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)
	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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3 Reaffirmed
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	32.50	ACUITE BBB- Positive Reaffirmed Stable to Positive
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE BBB- Positive Reaffirmed Stable to Positive
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE BBB- Positive Reaffirmed Stable to Positive
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A3 Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE A3 Reaffirmed

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About Acuité Ratings & Research

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