Press Release
Skyway RMC Plants Private Limited
February 09, 2024
Rating Reaffirmed

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

Rating Rationale

Acuité has reaffirmed the long-term rating of **'ACUITE BBB-' (read as ACUITE t riple B minus)** and the short-term rating of **'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 **'Positive'** to **'Stable'.**

Rationale for reaffirmation, and revision in Outlook

The revision in outlook takes into consideration, the stable operating performance of the company in FY2023 marked by improved operating income albeit deteriorated profitability. The revenue of the company stood at Rs.557.33 crore in FY2023 as against Rs.390.56 crore in FY2022 on account of execution of high value orders. However, the operating margins deteriorated to 8.15 percent in FY2023 as against 11.35 percent in FY2022 primarily due to increased material costs. Also, the PAT margins deteriorated to 1.86 percent in FY2023 as against 2.45 percent in FY2022 led by high interest and depreciation cost. Further, the revision in outlook also takes into consideration its overall high utilization of working capital limits at ~98 percent for the last 08 months ending November 2023.

Further, the rating considers long-standing experience of management, its established track record of operations along with reputed clientele, improving financial risk profile marked by improved gearing levels, moderate debt coverage indicators, healthy net worth and adequate liquidity position. The rating also factors in the healthy unexecuted order book position of Rs.708.90 crore as of 31st December 2023 reflecting revenue visibility over the medium term.

The rating is however, constrained on account of exposure to risks associated with geographically concentrated operations, tender based nature of operations, and presence in a highly competitive industry.

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 private limited Incorporated in 2012, the company mainly engaged in trades in building materials.

Unsupported Rating
Not Applicable

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%-97% from supplying RMC to infrastructure companies in FY2023.
Further, the revenue of the company has also increased significantly to Rs 557.33 crore in FY 2023 as against Rs 390.56 crore in FY 2022 with healthy order book position of Rs 708.90 crore as on December 2023 which gives revenue visibility over the medium term.
Acuité 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, improving gearing, and moderate debt protection metrics. The tangible net worth stood at Rs.171.01 crore as on 31 March 2023 as against Rs.160.64 crore as on 31 March 2022. The total debt of the company stood at Rs.173.25 crore includes Rs.65.20 crore of long-term debt, Rs.108.05 crore of short-term debt as on 31 March, 2022. The gearing (debt-equity) stood at 1.01 times as on 31 March 2023 as compared to 1.05 times as on 31 March, 2022. Interest Coverage Ratio stood at 2.34 times for FY2023 as against 2.13 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 1.38 times in FY2023 as against 1.27 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.33 times as on 31 March, 2023 as against 1.41 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.14 times for FY2023 as against 0.12 times for FY2022.
Acuite believes that SRPPL will maintain moderate financial risk profile over the medium term backed by moderate cash accruals generation and no major debt-funded capex planned during the same period.

Weaknesses
Moderately Intensive Working capital operations
The working capital management of the company is moderate marked by improving yet high GCA days of 152 days in FY2023 as against 216 days in FY2022. The debtor days stood at 86 days in FY2023 as against 113 days in FY2022. The average credit period allowed to customers of 90- 110 days. The reason for high debtors is also due to significant revenue being booked during the end of the financial year in the month of March. The creditor days stood at 35 days in FY2023 as against 59 days in FY2022. The average credit period allowed by suppliers is around 30 days. The inventory holding period of the company stood at 45 days in FY2023 as against 77 days in FY2022. 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

Growth in in operating income while improving operating profitability.
Elongation in working capital cycle

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.20.88-23.75 Crore from FY 2022- 2023 against its maturing debt obligations in the range of Rs.11.68-12.61 crore during the same period. In addition, it is expected to generate sufficient cash accruals in the range of Rs.26.48-30.93 crore against the maturing repayment obligations of around Rs.13.25-13.80 crore over the medium term. The working capital management of the company is moderately intensive marked by GCA days of 152 days in FY2023 as against 216 days in FY2022. The company maintains unencumbered cash and bank balances of Rs.1.75 crore as on March 31, 2023. The current ratio stands at 1.38 times as on March 31, 2023. The average fund-based bank limit utilization for past 08 months ending November 2023 in fund-based limits stood at ~ 98% of the sanctioned amount and the average non-fund-based limits utilization stood at ~40-50 % during the same period.
Aucite believes that the company's liquidity position would remain adequate over the medium term with sufficient net cash accruals generation against its maturing debt repayment obligations.

Outlook: Stable

Acuité has revised the outlook for SRPPL to 'Stable' on account of moderation recorded in operating profitability, high reliance on working capital limits and in view of the 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 higher than expected growth in revenues and improvements in the profitability along with healthy order book position. Conversely, the outlook may be revised to 'Negative' in case the company reports lower than expected revenue and/or significant decline in profitability and further stretch in working capital cycle, resulting in deterioration in financial risk profile and strain on liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	557.33	390.56
PAT	Rs. Cr.	10.38	9.55
PAT Margin	(%)	1.86	2.45
Total Debt/Tangible Net Worth	Times	1.01	1.05
PBDIT/Interest	Times	2.34	2.13

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

Not Applicable

Any other information

None

Applicable Criteria

• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.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
14 Nov 2022	Cash Credit	Long Term	35.00	ACUITE BBB- | Positive (Reaffirmed)
	Cash Credit	Long Term	40.00	ACUITE BBB- | Positive (Reaffirmed)
	Letter of Credit	Short Term	7.50	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Bills Discounting	Short Term	5.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	32.50	ACUITE BBB- | Positive (Reaffirmed)
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+)
	Bills Discounting	Short Term	5.00	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)

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 avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A3 | Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	32.50	ACUITE BBB- | Stable | Reaffirmed | Positive to Stable
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE BBB- | Stable | Reaffirmed | Positive to Stable
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE BBB- | Stable | Reaffirmed | Positive to Stable
Axis Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A3 | Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.50	ACUITE A3 | Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.