

Press Release

Indiacrete Ready Mix Private Limited

September 26, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE BB**) on the Rs. 10.00 crore bank facilities of Indiacrete Ready Mix Private Limited. (IRMPPL) The outlook is '**Stable**'.

The Mumbai based, IRMPPL was incorporated in 2014 by Mr. Imran Shaikh and Mr. Sandeep Shekhawat. The commercial production began from FY2016 and is engaged in manufacturing of different range of Ready Mix Concrete for Construction Industry. At present it caters to Mumbai region.

Analytical Approach

Acuité has considered standalone business and financial risk profile of IRMPPL to arrive at the rating.

Key Rating Drivers:

Strengths

- **Promoters experience in Construction industry**

The promoters of the company have experience of more than two decades of working as civil engineers in construction industry. The company caters to reputed customers like Shapoorji- Pallonji, Lodha Developers, L&T among others. Acuité believes that the promoters experience coupled with established relationship with customers will result in healthy growth of the company.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs.3.14 crore as on March 31, 2018 (Provisional) as compared to Rs.1.35 crore as on March 31, 2017. The debt to equity ratio stood moderate at 1.80 times in FY2018 (Provisional) as compared to 1.43 times in FY2017. The unsecured loans from promoters have been treated as quasi equity as the same will be maintained in the business over the long term. Total debt of Rs.6.65 crore consist of working capital borrowing of Rs.5.59 crore, secured long term loan of Rs.1.06 crore. The interest coverage ratio improved to 6.17 times for FY2018 (Provisional) from 4.57 times for FY2017. The total outstanding debt to total net worth stood at 4.89 times for FY2018 (Provisional) as compared to 4.40 times for FY2017. Acuité believes that the company will be able to maintain moderate financial risk profile over the medium term due to new loan of ~Rs.2-3 crore for new projects to be undertaken in coming 6 months and infusion of unsecured loans by the promoters as and when required.

Weaknesses

- **Exposure to volatility in input costs and cyclical in the construction industry**

The company is exposed to volatility in raw material cost, cement, fuel among others. However, the company has price escalation clause in each contract which helps to prevent price hit to some extent. The growth of this industry is driven by growth of construction industry, thus, exposed to cyclical in construction industry. Further, presence of several organised and unorganised players and low plant installation cost pose stiff competition to the company.

Outlook: Stable

Acuite believes that IRMPL will maintain a 'Stable' outlook over the medium term on account of its promoters' extensive experience in construction industry and healthy relationship with reputed customers. The outlook may be revised to 'Positive' if the company registers substantial increase in profitability margins supported by healthy revenue growth or improves the capital structure as a result of equity infusion by promoters. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile due to higher than expected debt-funded capex or elongated working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	50.98	23.49	15.29
EBITDA	Rs. Cr.	3.33	0.98	0.41
PAT	Rs. Cr.	1.78	0.52	0.23
EBITDA Margin	(%)	6.54	4.16	2.65
PAT Margin	(%)	3.49	2.20	1.50
ROCE	(%)	42.83	40.01	309.81
Total Debt/Tangible Net Worth	Times	1.80	1.43	0.00
PBDIT/Interest	Times	6.17	4.57	9.07
Total Debt/PBDIT	Times	1.99	2.72	0.00
Gross Current Assets (Days)	Days	139	133	120

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

None

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BB / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB / Stable

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About Acuité Ratings & Research:

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