

## Press Release

**Indiacrete Ready Mix Private Limited**

December 02, 2019



**Rating Reaffirmed**

<b>Total Bank Facilities Rated*</b>	Rs.10.00 Cr.
<b>Long Term Rating</b>	ACUITE BB / Outlook: Stable (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) to Rs.10.00 crore bank facilities of Indiacrete Ready Mix Private Limited (IRMPL). The outlook is '**Stable**'.

Mumbai based, Indiacrete Ready Mix Private Limited was incorporated in 2014 by Mr. Imran Shaikh and Mr. Sandeep Shekhawat. The company is engaged in manufacturing of ready mix concrete, which is used in construction industry. The company manufactures concrete ranging from M10 to M90 along with customized concrete like fiber reinforced concrete, waterproof concrete, and high volume fly ash concrete among others.

### Analytical Approach

Acuité has considered standalone business and financial risk profile of IRMPL to arrive at this rating.

### Key Rating Drivers

#### Strengths

##### • Experienced management and reputed clientele base

IRMPL is promoted by Mr. Imran Shaikh and Mr. Sandeep Shekhawat who have experience of more than two decades of working as civil engineers in construction industry. They have over the time been able to establish healthy relationship with reputed clientele such as like Shapoorji- Pallonji, Lodha Developers, L&T Developers, Piramal among others. The extensive experience of the promoters is also reflected through the healthy revenue growth rate in FY2019 of ~50 percent over FY2018 and CAGR of ~62 percent over the last three years through FY2018-19.

Acuité believes that IRMPL will continue to benefit over the medium term on the back of the extensive experience of the promoters and healthy relationship with customers and suppliers.

##### • Moderate financial risk profile

IRMPL's financial risk profile is moderate, marked by moderate networth, gearing and healthy debt protection metrics. The tangible networth has improved to Rs.5.21 crore as on March 31, 2019 as compared to Rs.3.33 crore as on March 31, 2018 and Rs.1.85 crore as on March 31, 2017. The improvement in net worth is on account of moderate accretion to reserves. The debt to equity stood moderate at 1.43 times and 2.00 times as on March 31, 2019 and March 31 2018 respectively. The Total Outside Liabilities to Tangible networth improved to 4.42 times as on 31st March, 2019 as against 5.45 times in the previous year. Debt service coverage ratio (DSCR) improved to 5.69 times for FY 2019 as against 4.06 times in the previous year. The total debt of Rs.7.43 crore as on March 31, 2019 includes long term borrowing of Rs.1.59 crore and working capital borrowing of Rs.5.85 crore. The interest coverage ratio (ICR) stands healthy at 7.43 times for FY 2019 as against 4.96 times in the previous year. The interest outflow is lower in FY2019 due to lower utilization of working capital limits.

Acuité believes that company will be able to maintain moderate financial risk profile over the medium term in the absence of any major debt funded capex.

#### Weaknesses

##### • Working capital intensive operations

IRMPL's operations are moderately working capital intensive in nature as reflected in the gross current assets (GCA) of 135 days as on March 31, 2019 as against 165 days as on March 31, 2018. The stretched GCA days

are on account of higher debtor days of 128 days as on March 31, 2019; however, same is supported by creditor days of 102 days as on March 31, 2019 days. The inventory days are lower as RMC has limited life span.

Acuité expects the operations of the company to remain moderately working capital intensive over the medium term on account of higher credit period extended to debtors. However, the customers are reputed, which reduces the counter parties' risk of default.

#### • **Exposure to volatility in input costs and cyclical in the cement industry**

The company is exposed to volatility in raw material cost, cement, fuel etc. However, company has price escalation clause in each contract which helps to prevent price hit to some extent. Further, presence of several organized and unorganized players and lower plant establishment cost possess stiff competition to the company.

#### **Rating Sensitivities**

- Significant improvement in profitability margins while maintaining financial risk profile and liquidity position.
- Stretch in the working capital cycle leading to GCA days beyond 200 days.

#### **Material Covenants**

None

#### **Liquidity Position: Adequate**

IRMPL has adequate liquidity. The bank limits have been on an average 50 per cent utilized for the last six months ended October 2019. Cash accrual is expected at Rs.2.50-3.50 crore per annum in fiscals 2020 and 2021, against minimal long-term debt obligations of ~Rs.0.50 crore, thus provide higher cushion for the incremental working capital requirement. Current ratio stood comfortable at 1.13 times as on March 31, 2019. The company maintained cash balance of Rs.0.40 crore as on March 31, 2019. With no major debt based capex plans going forward, liquidity likely to remain adequate.

#### **Outlook: Stable**

Acuité believes IRMPL's will continue to maintain stable outlook on account of extensive industry experience of its promoters and established relationship with reputed customers. The outlook may be revised to 'Positive' if there is a substantial increase in revenue and profitability margins, or continued improvement in working capital management. The outlook may be revised to 'Negative' in case of a steep decline in profitability margins, or significant deterioration in the capital structure caused most likely by a stretched working capital cycle.

#### **About the Rated Entity - Key Financials**

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	64.30	42.59	23.49
EBITDA	Rs. Cr.	3.48	2.70	0.98
PAT	Rs. Cr.	1.88	1.42	0.52
EBITDA Margin	(%)	5.40	6.34	4.16
PAT Margin	(%)	2.93	3.32	2.20
ROCE	(%)	27.82	34.47	40.01
Total Debt/Tangible Net Worth	Times	1.43	2.00	1.43
PBDIT/Interest	Times	7.43	4.96	4.57
Total Debt/PBDIT	Times	2.14	2.47	2.72
Gross Current Assets (Days)	Days	135	165	133

#### **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>
- Manufacturing entities - <https://www.acuite.in/view-rating-criteria-59.htm>

- Financial Ratios And Adjustments – <https://www.acuite.in/view-rating-criteria-53.htm>

**Note on complexity levels of the rated instrument**  
<https://www.acuite.in/criteria-complexity-levels.htm>

**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26-Sept-2018	Cash credit	Long Term	6.00	ACUITE BB/Stable (Assigned)
	Proposed bank facility	Long Term	4.00	ACUITE BB/Stable (Assigned)

**\*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 (Reaffirmed)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BB/Stable (Reaffirmed)

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**About Acuité Ratings & Research:**

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