

Press Release

Firstchoice Ready Mix Private Limited

March 08, 2021



Rating Assigned

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

* Refer Annexure for details

Rating Rationale

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

About Company

FRPL is a Hyderabad company established in 2014. The company was promoted by Mr. Satish Kumar Baratam and Mr. Debajit Chattopadhyay. The company is engaged in the manufacturing of Ready Mix Concrete (RMC) and provides solutions on the application of concrete technology. FCRPL has 4 batching plants located across Hyderabad to manufacture RMC.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experience management**

First Choice Readymix Private Limited (FRPL) is a Hyderabad based company incorporated in 2014. The company is promoted by Mr. Satish Kumar Baratam and Mr. Debajit Chattopadhyay. The promoters have an experience of over 2 decades in the cement industry. They are supported by a team of experienced professionals from the construction industry.

Acuité believes that the company will continue to benefit from the partners' experience in improving its business risk profile over the medium term.

- **Moderate working capital cycle**

The company has a moderate working capital cycle marked by Gross Current Assets (GCA) days of 106 days in FY2020 and 84 days in FY2019. The receivable days stood at 86 days in FY2020 as against 68 days in FY2019. The increase in receivable days is due to extending credit period of the customers. The inventory days remained unchanged and stood at 8 days in FY2020 as against 8 days in FY2019.

Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

Weaknesses

- **Average financial risk profile**

FRPL's financial risk profile is average marked by low net worth, moderate gearing (debt-equity) and debt protection metrics. The tangible net worth of the company stood at Rs.2.41 crore as on March 31, 2020 as against Rs.1.80 crore as on March 31, 2019. The total debt of Rs.3.38 crore as on March 31, 2020 consist of long term debt of Rs.3.03 crore and short term borrowing of Rs.0.35 crore. The gearing (debt-equity) stood at 1.40 times as on March 31, 2020 as compared to 1.71 times as on March 31, 2019. The Interest Coverage Ratio moderated to 3.92 times in FY2020 as against 4.47 times in FY2019 due to. Total Outside Liabilities/Total Net Worth (TOL/TNW) stood at 7.68 times as on March 31, 2020 as against 7.12 times as on March 31, 2019.

Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.41 times for FY2020 as against 0.37 times for FY2019.

Acuité believes that the financial risk profile of FRPL is expected to remain at the same level over the medium term.

• **Intense competition in the industry**

The presence of several organized and unorganized players and lower plant establishment cost possess stiff competition for the company. Further, the company is exposed to volatility in raw material cost, cement, fuel etc. which may have an impact on the margins of the company in case of adverse market conditions.

• **Rating Sensitivities**

- Improving scale of operations while maintaining profitability.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

FRPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company had generated cash accruals of Rs.1.00-1.30 crore during the last three years through 2018-20, while its maturing debt obligations were Rs.0.35-0.75 crore over the same period. The company's working capital operations are intensive marked by Gross Current Asset (GCA) of 106 days in FY2020 as against 84 days in FY2019. The company had unencumbered cash and bank balances of Rs.1.71 crore as on March 31, 2020. The current ratio of the company stands healthy at 0.95 times as on March 31, 2020.

Outlook: Stable

Acuité believes that FRPL will continue to maintain a 'Stable' outlook over the near to medium term owing to its established market position and experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues and improvement in profitability, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	52.76	34.60
PAT	Rs. Cr.	0.61	0.76
PAT Margin	(%)	1.15	2.19
Total Debt/Tangible Net Worth	Times	1.40	1.71
PBDIT/Interest	Times	3.92	4.47

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>
- 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/view-rating-criteria-55.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
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB/Stable (Assigned)

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About Acuité Ratings & Research:

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