



Press Release

Firstchoice Ready Mix Private Limited

June 02, 2022

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	10.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed 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 the Company

FRPL is a Hyderabad-based 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 financial risk profile

FRPL's financial risk profile is moderate marked by low net worth, moderate gearing (debt-equity) and debt protection metrics. The tangible net worth of the company stood at Rs.4.81Cr as on March 31, 2022 as against Rs.3.15 Cr as on March 31, 2021. The total debt of stood at Rs.7.15 Cr as on March 31, 2022. The gearing (debt-equity) increased to 1.49 times as on March 31, 2022 from 0.63 times as on March 31, 2021. Interest coverage ratio slightly decreased and stands good at 3.92 times as on March 31, 2022. There is improvement in total outside liabilities/total net worth (TOL/TNW) as it stood at 4.4 times on March 31, 2022 against 6.7times on March 31, 2021. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.20 times for FY22 as against 0.72 times for FY21. Acuité believes that the financial risk profile of FRPL is expected to remain at the same over the medium term.

Weaknesses

Working capital Management

Working capital management of the company is moderate marked by gross current asset (GCA) days of 119 as on March 31, 2022 against 92 days on March 31, 2021. Inventory days increased to 26 days as on March 31, 2022 against 4 days on March 31, 2021. Debtor days stood at 80days as on March 31, 2022 against 78 days on March 31, 2021. Creditor days stood high at 175 days as on March 31, 2022. Acuite believes that working capital will remain moderate intensive 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.

ESG Factors Relevant for Rating

Not applicable

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: Adequate

FCRPL liquidity position is considered as adequate. the company has unencumbered cash and bank balances of 1.38 times as on March 31, 2022. Company's current ratio remains weak at 0.96 times as on March 31, 2022. Net cash accruals for the FY22 stood at Rs.1.44 Cr. FCRPL's Bank limit utilization stood around ~45 percent during the past 6 months ending April

2022. Acuite believes that FCRPL will have sufficient net cash accruals to service their maturing debt obligation over the medium term.

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.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	45.75	57.83
PAT	Rs. Cr.	0.77	0.73
PAT Margin	(%)	1.67	1.27
Total Debt/Tangible Net Worth	Times	1.49	0.63
PBDIT/Interest	Times	3.07	4.54

sStatus 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

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Mar 2021	Proposed Bank Facility	Long Term	10.00	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB Stable Reaffirmed

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About Acuité Ratings & Research

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