



Press Release
Firstchoice Ready Mix Private Limited
August 08, 2023
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	-	-

Rating Rationale

Acuite 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 (FRMPL). The outlook is '**Stable**'.

Rationale for Rating Reaffirmation

The rating reaffirmation takes into account the experience management and long track record of operations of the FRMPL. The rating also factors in the improvement in business risk profile of the company reflected by improvement in overall turnover. The operating income stood at Rs.58.35 crore in FY2023 (prov) as against Rs.45.66 crore in FY2022. The rating also draws comfort from the moderate financial risk profile and adequate liquidity position of the company. However, these strengths are offset by working capital intensive nature of operations and intense competition in the industry.

About the Company

Firstchoice Ready Mix Private Limited (FRMPL) is a Hyderabad, Telangana based company established in 2014. The company is engaged in the manufacturing of Ready Mix Concrete (RMC), Admixture Chemicals (AC), Dry Mix Mortar (DMM), Block Jointing Mortars, Ready Plasters, Wall Putty, Tile Adhesive, Grouts, Epoxy, surface treatment products. FRMPL is specialize in masonry construction, walling, and paving. Company also have wide selection of materials that can be used for home improvement projects of any size or scope. FRMPL has state-of-the-art RMC plants in Hyderabad. In addition, it has diversified the business with two more state-of-the-art manufacturing facilities of Tile and Stone Installation Solutions & Construction Chemicals in Hyderabad and Kolkata.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of Firstchoice Ready Mix Private Limited (FRMPL) to arrive at this rating.

Key Rating Drivers

Strengths

Experience management and long track record of operations

First Choice Ready Mix Private Limited (FRMPL) 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.

The established track record of company and extensive experience have helped FRMPL to establish long working relations with top builders. The revenue of the company constitutes of 64.39% from supplying RMC and 19.80% from supplying construction chemicals to infrastructure

companies and the remaining is from manufacturing service and Micro Silica trading in FY2023. Further, the revenue of the company has also improved to Rs.58.35 crore in FY 2023 (prov) as against Rs.45.66 crore in FY 2022 with order book position of Rs.74.19 crore as on May 2023 which gives revenue visibility over the medium term.

Acuité believes that FRMPL will continue to benefit from the established presence in the industry and its promoter's experience over the medium term.

Moderate financial risk profile

FRPL's financial risk profile is moderate marked by low net worth, improving gearing (debt-equity) and moderate debt protection metrics. The Tangible net worth of the company stood low at Rs.4.73 crore as on March 31, 2023 (prov) against Rs.4.08 crore as on March 31, 2022. The total debt of stood at Rs.8.00 Cr as on March 31, 2023 (prov). The gearing (debt-equity) improved to 1.69 times as on March 31, 2023 (prov) from 1.71 times as on March 31, 2022. Interest coverage ratio improved and stands good at 3.58 times as on March 31, 2023 (prov). There is improvement in total outside liabilities/total net worth (TOL/TNW) as it stood at 4.45 times on March 31, 2023 (prov) against 5.23 times on March 31, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.21 times for FY2023 (prov) as against 0.13 times for FY2022 (prov). 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 107 as on March 31, 2023 (prov) against 124 days on March 31, 2022. The inventory days slightly improved and stood at 22 days in March 31, 2023 (prov) against 24 days in March 31, 2022. Debtors days has stood at 76 days in March 31, 2023 (prov) against 78 days in March 31, 2022. Inventory days increased to 24 days as on March 31, 2022 against 4 days on March 31, 2021. Debtor days stood at 78 days as on March 31, 2022 against 78 days on March 31, 2021. Creditor days stood high at 114 days as on March 31, 2023 (prov). 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.

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

FRMPL's liquidity position is adequate with adequate net cash accruals against its repayment obligations. FRMPL generated net cash accruals of Rs.1.67 crore in FY2023 (prov), and Rs.0.94 crore in FY2022 against the repayment obligations of Rs.0.18 crore in FY2023 (prov) and Rs.0.20 crore in FY2022. Liquidity is also managed by its fund based working capital limits which are moderately utilised at about 80.81 percent for the last twelve months ended March, 2023 . The current ratio stood average, 1.04 times ended with March 31, 2023 (prov). Unencumbered cash and bank balances stood at Rs.0.83 crore as on March 31, 2023 (prov) and liquid investments stood at Rs.0.50 crore as on March 31, 2023 (prov). Acuite believes that FRMPL 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.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	58.35	45.66
PAT	Rs. Cr.	0.65	0.01
PAT Margin	(%)	1.11	0.03
Total Debt/Tangible Net Worth	Times	1.69	1.71
PBDIT/Interest	Times	3.58	2.47

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>
- Entities In Manufacturing Sector:- <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, Acuite 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
02 Jun 2022	Proposed Bank Facility	Long Term	10.00	ACUITE BB Stable (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.50	ACUITE BB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	6.50	ACUITE BB Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Thejaswini P V Senior Analyst-Rating Operations Tel: 022-49294065 thejaswini.pv@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

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