

December 01, 2023

SKAPS Advanced Composites Private Limited (erstwhile Anjani Udyog Pvt. Ltd.); ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long Term – Fund Based – Term Loan	12.69	8.69	[ICRA]A (Stable); reaffirmed
Short-Term - Non-Fund Based – Letter of Credit	10.00	10.00	[ICRA]A2+; reaffirmed
Long term/Short term - Unallocated limits	7.31	-	-
Total	30.00	18.69	

*Instrument details are provided in Annexure I

Rationale

While arriving at the ratings, ICRA has taken a consolidated view of SKAPS Industries India Pvt. Ltd. (SKAPS) and SKAPS Advanced Composites Private Limited (SKAPS Advanced; erstwhile Anjani Udyog Private Limited), referred to as the Group. SKAPS Advanced is a subsidiary of SKAPS, which holds a 100% stake in the former as on March 31, 2023. Also, both the entities have significant operational and financial linkages.

The rating reaffirmation continues to reflect the extensive experience of the promoters and the established track record of the SKAPS Group in the geotextiles industry. The Group's financial risk profile is in good shape, marked by a healthy scale of operations, a strong net worth base, a comfortable capital structure and comfortable coverage indicators. ICRA also notes the healthy financial risk profile of PBR Inc., an associate concern (turnover of \$347.9 million and TD/net worth of 0.09 times in CY2022), and its continuous operational and financial support to SKAPS. SKAPS garners a large chunk of its revenues from PBR Inc. (contributed ~56% to the total sales in FY2023) and has a memorandum of understanding (MoU) with it as well, which ensures limited offtake risk.

The ratings, are however, constrained by the high customer concentration risk and intense competition in both the geotextile and glass fibre segments. Moreover, the profitability remains susceptible to raw material prices. Nevertheless, the policy of regular price revisions and the incorporation of a price escalation clause in the customer agreements protect its profitability to some extent. Further, the profitability is exposed to foreign exchange fluctuation risks as significant revenue is derived from exports. Moreover, the high capital-intensive business, with regular capex requirements, has kept the return indicators at average levels in the past.

The Stable outlook on the rating reflects ICRA's expectation that the Group will continue to maintain its credit profile, backed by expected sustained revenue growth, and healthy debt coverage indicators and liquidity position.

Key rating drivers and their description

Credit strengths

Extensive experience of management – The promoters have extensive experience and the company has an established track record in the geotextile industry spanning more than a decade. The promoters of the company are also associated with a US-based entity, PBR Inc., which had a turnover of ~ \$347 million in CY2022. It is one of the leading players in the fabrication of geosynthetic and non-woven drainage products, catering to about 70-80 countries across the globe.

Established and reputed customer profile – The Group derives a large chunk of its revenues (~56% in FY2023) from sales to its US-based associate concern, PBR Inc. SKAPS has an MoU for a minimum volume offtake with PBR Inc., which limits its offtake risk. The contribution of PBR Inc. to the total sales has declined in the last two-three fiscals compared to ~80-85% till FY2019 due to increasing contribution of the glass fibre segment, whose products are majorly sold to reputed players in the domestic market. SKAPS also gets financial support in the form of advances from PBR Inc. to meet its working capital requirements, though the advances have reduced in the current fiscal. As on March 31, 2023, the advances outstanding from PBR Inc. to SKAPS stood at Rs. 100.5 crore (Rs. 149.6 crore in FY2022 end). SKAPS's customer profile consists of reputed players from the windmill sector/windmill blade assembling units. Over the past couple of years, SKAPS has been able to forge a strong relationship with these clients that has resulted in repeat orders.

Healthy financial risk profile – The company's scale of operations remained stable, though on a consolidated basis, the revenues declined marginally by ~6% to ~Rs. 720 crore in FY2023 against ~Rs. 764 crore in FY2022. The decrease in revenues was mainly due to lower sales of woven fabric. Going forward, the Group's revenue is expected to grow at 7-10% on a YoY basis, aided by healthy order inflows for the glass fibre segment.

The Group's capital structure remained comfortable with a strong net worth base of Rs. 367 crore. The gearing was comfortable at 0.6 times in FY2023 (0.5 times in FY2022) and the TOL/TNW was 1.1 times as on March 31, 2023. Also, the coverage indicators of the Group remained healthy — the interest coverage was ~4 times and the total debt/OPBDITA was 2.2 times in FY2023. Of the total debt of ~Rs. 210 crore, ~Rs.60 crore comprised unsecured loans from directors. Excluding the unsecured loans from directors, the adjusted debt/OPBDITA remained at 1.6 times at FY2023-end. Going forward, the capital structure and coverage metrics are expected to remain comfortable with healthy accruals and a decline in the debt levels.

Credit challenges

Margins susceptible to volatility in raw material prices and foreign currency exchange rate fluctuations – SKAPS remains exposed to the volatility in the prices of its key raw material, polymers, which vary in line with crude oil prices. The Group's operating profit margins had moderated to 12.2% in FY2022 and 13.3% in FY2023 against 15.7% in FY2020. The margins declined mainly due to high raw material prices and shipping freight costs. Exports contributed ~62% to the total revenue of FY2023. High exports, coupled with high dollar-denominated customer advances received from PBR Inc., have made the company's profitability vulnerable to foreign currency exchange rate fluctuations, to the extent unhedged.

High competition in glass fibre business – The margins in the glass fibre industry remains exposed to high competition due to the presence of several players. The industry faces competition mainly from imported glass fibre products that keeps the margins under check.

Liquidity position: Adequate

The Group's liquidity position is adequate, marked by healthy cash accruals against moderate debt repayment obligations, and free cash and bank balance of ~Rs. 11.6 crore as on March 31, 2023. The repayment burden is going to ease in the years ahead as the Group does not have any major debt-funded capital expenditure plans. On a consolidated basis, the Group has a repayment obligation of Rs. ~20-21 crore in FY2024 and FY2025. Besides, the company has cushion in working capital bank lines, with an average utilisation of ~40% over the past 12 months ended September 2023.

Rating sensitivities

Positive factors – The ratings may be upgraded in case of a sustained increase in scale and profitability along with an improvement in liquidity position.

Negative factors – The ratings could be downgraded if a substantial decline in the scale of operations or profitability deteriorate the key credit metrics. Any sizeable capex or increase in working capital cycle, adversely impacting the liquidity profile or weakening in the credit profile of the key customer and Group company - PBR Inc., may also put downward pressure

on the ratings. A specific credit metric, leading to a rating downgrade will include adjusted Debt (excluding unsecured loans from directors)/OPBDITA of more than 2.0 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the consolidated view of SKAPS and SKAPS Advanced as both the entities have significant operational and financial linkages

About the company

SKAPS Advanced was acquired by SKAPS in FY2017. It manufactures glass fibre and hydrotex for SKAPS on a job-work basis. SKAPS hold 100% shareholding in SKAPS Advanced as on March 31, 2023.

Key financial indicators

Standalone - Audited	FY2022	FY2023
Operating income (Rs. crore)	64.7	92.0
PAT (Rs. crore)	0.3	(12.2)
OPBDIT/OI (%)	17.8%	3.4%
PAT/OI (%)	0.4%	(13.2%)
Total outside liabilities/Tangible net worth (times)	5.5	6.7
Total debt/OPBDIT (times)	9.7	39.2
Interest coverage (times)	1.7	0.4

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Consolidated - Audited	FY2022	FY2023
Operating income (Rs. crore)	764.4	720.2
PAT (Rs. crore)	41.2	21.1
OPBDIT/OI (%)	12.2%	13.3%
PAT/OI (%)	5.4%	2.9%
Total outside liabilities/Tangible net worth (times)	1.2	1.1
Total debt/OPBDIT (times)	2.0	2.2
Adjusted debt/OPBDIT (times)	1.3	1.6
Interest coverage (times)	9.3	4.3

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2023 (Rs. crore)	Date & rating on	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Dec 01, 2023	Sep 5, 2022	Oct 07, 2021	Apr 07, 2020
1 Long-term fund-based – Term loan	Long-term	8.69	8.69	[ICRA]A(Stable)	[ICRA]A(Stable)	[ICRA]A-(Stable)	[ICRA]A-(CE) (Stable)
2 Short-term non-fund based – Letter of credit	Short-term	10.00	-	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+ (CE)
3 Unallocated limits	Long-term/Short-term	-	-	-	[ICRA]A(Stable) [ICRA]A2+	-	-

Amount in Rs. crore

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term – Fund-based – Term loan	Simple
Short-term - Non-fund based – Letter of credit	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instruments credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Outlook	Rating and
NA	Long-term fund-based – Term loan	FY2019	NA	FY2025	8.69	[ICRA]A(Stable)	
NA	Short-term non-fund based – Letter of credit	NA	NA	NA	10.00	[ICRA]A2+	

Source: Company; Note: Amount in Rs. crore

Annexure II: List of entities considered for consolidated analysis:

Company Name	Ownership	Consolidated Approach
SKAPS Industries India Pvt. Ltd.	-	Full Consolidation

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Branches



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