

February 25, 2025<sup>(Revised)</sup>

## SKAPS Industries India Pvt. Ltd.: Ratings upgraded to [ICRA]A+ (Stable)/[ICRA]A1

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long term - Fund-based – Term loan	38.33	12.17	[ICRA]A+(Stable); upgraded from [ICRA]A(Stable)
Long term/Short term – Fund-based – Working capital facilities	130.00	100.00	[ICRA]A+(Stable)/ [ICRA]A1; upgraded from [ICRA]A(Stable)/ [ICRA]A2+
Long term/Short term - Unallocated	-	56.16	[ICRA]A+(Stable)/ [ICRA]A1; upgraded from [ICRA]A (Stable)/ [ICRA]A2+
<b>Total</b>	<b>168.33</b>	<b>168.33</b>	

\*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, 2024. Also, both the entities have significant operational and financial linkages.

The rating upgrade factors in the healthy financial risk profile of the SKAPS Group with an improving scale and profitability, supported by favourable demand prospects in the geotextiles and glass fibre segments. The company's scale of operations has improved on a consolidated basis with the revenues improving by ~10% to ~Rs. 794 crore in FY2024 from Rs. 720 crore in FY2023. The revenue growth is expected to sustain in FY2025 and thereafter. The operating margins improved to ~19% in FY2024 from ~13% in FY2023 and are likely to remain healthy in FY2025. The capital structure and coverage indicators remain comfortable.

ICRA also notes the continuous operational and financial support of PBR Inc., an associate concern, to SKAPS. SKAPS garners a large chunk of its revenues from PBR Inc. (contributed ~31% to the total sales in FY2024; ~52% as of H1 FY2025) and has a memorandum of understanding (MoU) with it as well, which ensures limited offtake risk. The ratings also factor in the extensive experience of the promoters and the established track record of the SKAPS Group in the geotextile industry.

The ratings, however, are 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 SKAPS Group is likely to sustain its operating metrics. Further, the outlook underlines ICRA's expectation that the entity's incremental capex will be funded in a manner that it is able to durably maintain its debt protection metrics commensurate with the existing rating.

## Key rating drivers and their description

### Credit strengths

**Extensive experience of the management** – The promoters have extensive experience in the geotextiles sector and the company has an established track record of around two decades in this industry. The promoters of the company are also associated with a US-based entity, PBR Inc. 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 (~31% in FY2024 and ~52% in H1 FY2025) 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 the increasing contribution of the glass fibre segment, whose products are majorly sold to reputed players in the domestic market. Moreover, SKAPS is focussing on higher sales from the domestic geotextiles sector, especially with many river projects being undertaken by the Government of India in the near to medium term.

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, 2024, the advances outstanding from PBR Inc. to SKAPS stood at Rs. 77 crore (Rs. 99.8 crore in FY2023 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 has improved on a consolidated basis with the revenues improving by ~10% to ~Rs. 794 crore in FY2024 against ~Rs. 720 crore in FY2023. Further, the revenue growth is expected to sustain in FY2025 and thereafter. The operating margins improved to ~19% in FY2024 from ~13% in FY2023 and are likely to remain healthy in FY2025. The increase in revenues was mainly due to higher sales from the geotextiles and the glass fibre segments. Going forward, the Group's revenue is expected to grow at 7-10% on a YoY basis, aided by healthy order inflows from the glass fibre segment as well as the domestic geotextile segment.

The Group's capital structure remained comfortable with a strong net worth of Rs. 437 crore as on March 31, 2024. The gearing was comfortable at 0.4 times in FY2024 (0.6 times in FY2023) and the TOL/TNW was 0.9 times as on March 31, 2024. Also, the coverage indicators of the Group remained healthy — the interest coverage was ~9 times and the total debt/OPBDITA was 1.2 times in FY2024. Of the total debt of ~Rs. 173 crore, ~Rs. 60 crore comprised unsecured loans from directors. Excluding the unsecured loans from directors, the adjusted debt/OPBDITA remained at 0.8 times at FY2024-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. Exports contributed ~59% of the total revenue in FY2024. High exports and the elevated 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 expected healthy cash flow from operations along with free cash and bank balance of ~Rs. 26.8 crore as on March 31, 2024. The company has repayment obligation of ~Rs. 20 crore in FY2025 but does not have any other significant repayment burden in FY2026 and FY2027 as the Group does not have any major debt-funded capital expenditure plans. Besides, the company has cushion in working capital bank lines, with an average utilisation of ~13% over the past 12 months and around ~Rs. 100-crore unutilised limits as of January 2025-end.

## Rating sensitivities

**Positive factors** – The ratings may be upgraded if the SKAPS Group exhibits a sustained increase in its scale and profitability along with an improvement in the liquidity position and higher product as well as customer diversification.

**Negative factors** – The ratings could be downgraded if there is a substantial decline in the scale of operations or profitability, thereby deteriorating the key credit metrics. Any sizeable capex or increase in the working capital cycle, adversely impacting the liquidity profile or weakening the credit profile of the key customer and Group company - PBR Inc., may also put pressure on the ratings. A specific credit metric for downgrade will include an adjusted debt (excluding unsecured loans from directors)/OPBDITA of more than 1.5 times on a sustained basis.

## Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Chemicals</a>
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 was incorporated in 2005 by a first-generation entrepreneur, Mr. Paresh Vyas, who has an experience of more than two decades in the geotextile industry. The company manufactures polypropylene staple fibres (raw material for non-woven geotextiles), woven and non-woven geotextiles. In FY2017, it added new products, namely glass fibre and hydrotex, to its product profile by acquiring a greenfield unit— SKAPS Advanced Composites Private Limited (erstwhile Anjani Udyog Pvt Ltd) (100% holding as on March 31, 2023). SKAPS Advanced manufactures glass fibre products and hydrotex for SKAPS on a job-work basis. In FY2017, SKAPS acquired another entity, Advanced Textiles & Materials Private Limited, also engaged in the manufacturing of fibre glass. The Group also added monofilament yarn-based products to its portfolio in the recent past. The Group currently operates from five units — one unit at Moraiya (100% export-oriented unit) near Ahmedabad (Gujarat), three units at the Mundra Special Economic Zone and another at Savli. It has also added a new plant in Chennai in FY2023.

## Key financial indicators

Standalone - Audited	FY2023	FY2024
Operating income (Rs. crore)	686.5	693.4
PAT (Rs. crore)	32.6	67.9
OPBDIT/OI (%)	13.5%	18.7%
PAT/OI (%)	4.7%	9.8%
Total outside liabilities/Tangible net worth (times)	0.9	0.7
Total debt/OPBDIT (times)	1.6	0.9
Interest coverage (times)	4.8	11.6

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

Consolidated - Audited	FY2023	FY2024
Operating income (Rs. crore)	720.2	794.4
PAT (Rs. crore)	21.1	69.9
OPBDIT/OI (%)	13.3%	18.9%
PAT/OI (%)	2.9%	8.8%
Total outside liabilities/Tangible net worth (times)	1.1	0.9
Total debt/OPBDIT (times)	2.2	1.2
Adjusted debt/OPBDIT (times)	1.6	0.8
Interest coverage (times)	4.3	9.1

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	Current (FY2025)				Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Outstanding amount (Rs. crore)	Feb 25, 2025	FY2024		FY2023		FY2022	
					Date	Rating	Date	Rating	Date	Rating
Long term - Fund - based - Term loan	Long term	12.17	-	[ICRA]A+ (Stable)	01-DEC-2023	[ICRA]A (Stable)	05-SEP-2022	[ICRA]A (Stable)	07-OCT-2021	[ICRA]A- (Stable)
Long term /Short term – Unallocated	Long term/Short term	56.16	-	[ICRA]A+ (Stable)/[ICRA]A1	-	-	05-SEP-2022	[ICRA]A (Stable)/[ICRA]A2+	-	-
Long term /Short term - Fund based - Cash credit	Long term/Short term	100.00	-	[ICRA]A+ (Stable)/[ICRA]A1	01-DEC-2023	[ICRA]A (Stable)/[ICRA]A2+	-	-	-	-

**Complexity level of the rated instruments**

Instrument	Complexity Indicator
Long-term fund-based – Term loan	Simple
Long-term/Short-term fund-based – Working capital facilities	Simple
Long term/Short term - Unallocated	NA

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 instrument's 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](https://www.icra.in)

#### Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Long - term – Fund - based – Term loan - 1	March 2019	NA	March 2025	1.52	[ICRA]A+ (Stable)
NA	Long - term - Fund - based – Term loan - 2	February 2020	NA	June 2025	10.65	[ICRA]A+ (Stable)
NA	Long term/Short term – Fund - based – Working capital facilities	NA	NA	NA	100.00	[ICRA]A+ (Stable)/[ICRA]A1
NA	Long term/Short term - Unallocated	NA	NA	NA	56.16	[ICRA]A+ (Stable)/[ICRA]A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

#### Annexure II: List of entities considered for consolidated analysis:

Company name	Ownership	Consolidated approach
SKAPS Advanced Composites Private Limited (erstwhile Anjani Udyog Pvt. Ltd.)	100%	Full Consolidation

#### Corrigendum

Document dated February 25, 2025 has been corrected with revision as detailed below:

Change has been made on page no. 5 in Annexure I (Instrument Details) wherein the maturity for term loan – 2 was erroneously mentioned as March 2025 instead of June 2025.

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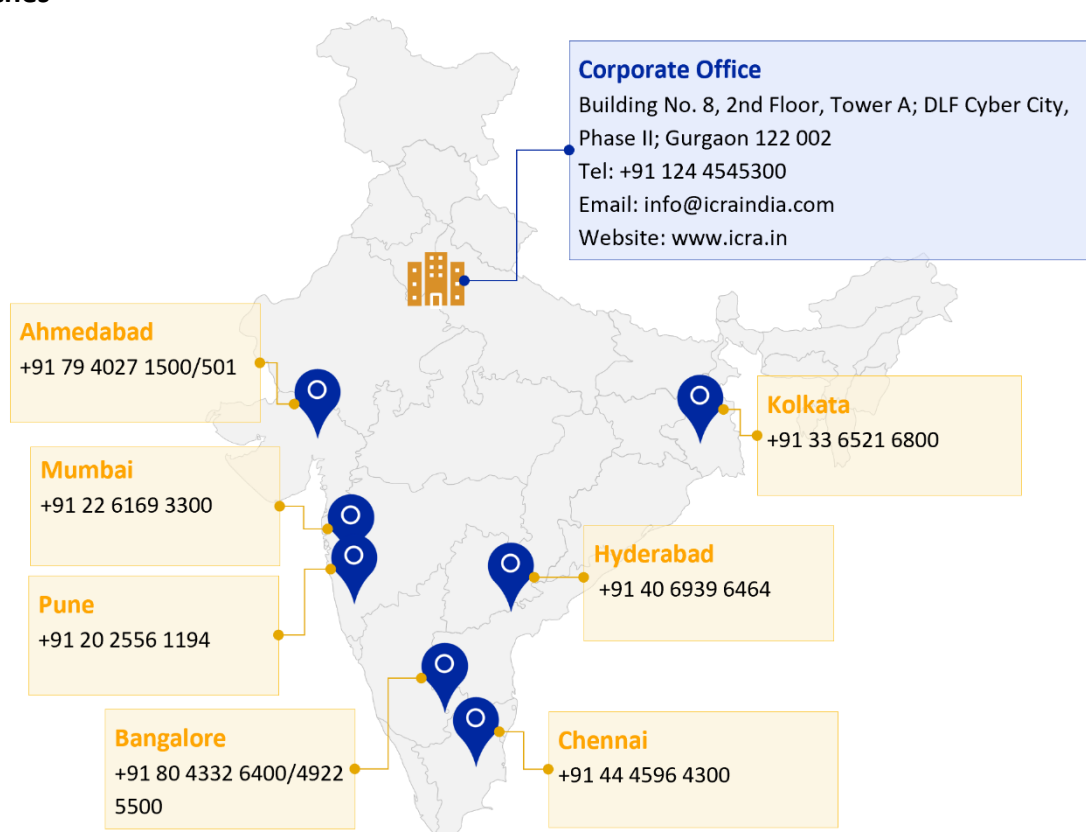
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