



SMERA RATINGS LIMITED

Skyway InfraProjects Private Limited (SIPPL)

*Rating
Rationale*

July 07, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	70.00	SMERA BBB-/Stable (Assigned)
Term Loans	0.20	SMERA BBB-/Stable (Assigned)
Bank Guarantee	100.00	SMERA A3 (Assigned)

SMERA has assigned ratings of '**SMERA BBB-**' (read as **SMERA triple B minus**) to the fund based bank facilities and '**SMERA A3**' (read as **SMERA A three**) to the non-fund based bank facilities of Skyway InfraProjects Private Limited (SIPPL). The outlook is '**Stable**'. The ratings are supported by the company's experienced management, strong project execution capability, established market presence and healthy order book position. The ratings are also supported by the company's healthy financial risk profile and sound liquidity position. However, the ratings are constrained by the company's uneven revenue stream and stretched working capital cycle.

SIPPL, incorporated in 1978, is a Mumbai-based company engaged in undertaking infrastructure development and heritage work projects. SIPPL benefits from its experienced management. Mr. Moolsingh Berishalsingh Deora, promoter of SIPPL, has around 35 years of experience in the company's line of business. SIPPL has demonstrated strong project execution capability. The company has successfully executed projects worth ~Rs.650 crore over the last five years. SIPPL also benefits from its long-standing relations with clients. The company has an established market presence in the Mumbai region. SIPPL is registered as an 'AA Category' infrastructure projects contractor with the Municipal Corporation of Greater Mumbai (MCGM). The company is thus eligible to bid for all tenders (for sewerage projects, heritage work and drainage projects) floated by the MCGM. SIPPL has a strong order book position (as on December 31, 2013) reflected in pending orders of ~Rs.314.00 crore, which are likely to be executed over the next three years.

SIPPL's healthy financial risk profile is marked by moderate net worth of ~Rs.66.00 crore and comfortable gearing (debt-to-equity ratio) of ~1 time as on March 31, 2013. The company has maintained healthy interest coverage ratio of ~2 times during the past two years. SIPPL funds a large portion of its working capital requirements through unsecured loans from promoters and related parties. The company has largely maintained credit balance in its cash credit account during the past six months.

SIPPL's revenues declined from Rs.189.68 crore in FY2009-10 (refers to financial year, April 01 to March 31) to Rs.121.93 crore in FY2012-13. However, the impact of decline in revenues was partially offset by increase in the company's operating profit margin (from 8.28 per cent to 12.29 per cent) during the same period. SIPPL is expected to register modest revenue growth in FY2013-

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14. The company has a stretched working capital cycle. SIPPL has reported gross current assets (GCA) of ~400 days during the past three years.

Outlook: Stable

SMERA believes SIPPL's outlook will remain stable over the medium term on the back of the company's healthy project pipeline and experienced management. The outlook may be revised to 'Positive' in case the company generates healthy cash flows through successful execution of large projects while achieving efficient working capital management. Conversely, the outlook will be revised to 'Negative' in case of delays in project execution, or in case of deterioration in the company's financial profile on account of further stretch in liquidity position or larger-than-expected debt funded capex.

About the company

SIPPL (formerly known as Sky-Way Construction Company) is a Mumbai-based company promoted by Mr. Moosingh Berishalsingh Deora in 1978. SIPPL undertakes various infrastructure development projects, including water supply projects, sewerage and storm water drain projects and cement mortar lining projects. The company is also engaged in undertaking heritage work projects.

For FY2012-13, SIPPL reported profit after tax (PAT) of Rs.5.37 crore on revenues of Rs.121.93 crore, as compared with PAT of Rs.5.45 crore on revenues of Rs.118.69 crore for FY2011-12. Further, the company reported revenues of ~Rs.68.19 crore (provisional) during April 2013 to December 2013. SIPPL's net worth stood at Rs.66.68 crore as on March 31, 2013, as compared with Rs.61.42 crore a year earlier.

Contact List

Media/Business Development	Analytical Contacts	Rating Desk
Mr. Sanjay Kher Head – Sales, Corporate Ratings Tel : +91 22 6714 1193 Cell : +91 98191 36541 Email : sanjay.kher@smera.in Web: www.smera.in	Mr. Umesh Nihalani, Head – Corporate Ratings Tel: +91-22-67141106 Cell: +91 98336 51336 Email: umesh.nihalani@smera.in	Tel: +91 22 6714 1170 Email: ratingdesk@smera.in

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