

May 08, 2015

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Term Loan	0.20	SMERA BBB-/Stable (Withdrawn)

SMERA has reaffirmed the ratings of '**SMERA BBB-**' (read as SMERA triple B minus) and '**SMERA A3**' (read as SMERA A three) on the Rs.170.00 crore bank facilities of Skyway Infraprojects Private Limited (SIPPL). The outlook on the long-term rating is '**Stable**'. The ratings continue to draw comfort from the company's experienced management, strong project execution capability, established market presence and comfortable order book position. The ratings also draw comfort from the company's healthy financial risk profile. However, the ratings are constrained by the company's stretched working capital cycle and customer concentration risk. The ratings also note that the company's operating profit margin is susceptible to volatility in input prices.

SMERA has withdrawn the rating of '**SMERA BBB-/Stable**' on the Rs.0.20 crore bank facilities of SIPPL; there are no outstanding dues against the aforementioned facilities.

Update

SIPPL's operating income has increased by ~7 per cent in FY2014-15 (refers to financial year, April 01 to March 31) to Rs.136.63 crore (provisional), as compared with Rs.127.51 crore in FY2013-14.

SIPPL's profit margins are susceptible to volatility in input prices. The company is also exposed to the inherent cyclical nature in the infrastructure industry. SIPPL's operating profit margin has declined from 12.29 per cent in FY2012-13 to 10.65 per cent in FY2014-15. The company's net profit margin has remained stable in the past three years.

SIPPL is exposed to geographical and customer concentration risk arising from high dependence on Municipal Corporation of Greater Mumbai (MCGM). The company derived ~71 per cent of its total revenues from MCGM in FY2014-15. SIPPL has also derived ~20 per cent (PY: <1 per cent) of its revenues from Surat Municipal Corporation in FY2014-15 in an attempt to reduce geographic and customer concentration.

SIPPL's operations continue to remain working capital-intensive. The company's gross current assets (GCA) stand at ~495 days (provisional) in FY2014-15 on account of high collections of 180-190 days.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.

SIPPL has a healthy financial risk profile marked by net worth of Rs.82.15 crore (provisional) and leverage (total debt to equity ratio) of 1.10 times (provisional) as on March 31, 2015. The company's interest coverage ratio is comfortable at 2.28 times (provisional) in FY2014-15. SIPPL primarily uses unsecured loans (interest bearing) and non-fund based bank facilities (bank guarantee) for its business operations.

Outlook - Stable

SMERA believes SIPPL's outlook will remain stable over the medium term on the back of the company's comfortable order book 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. Moosinh 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 FY2014-15, SIPPL reported profit after tax (PAT) of Rs.6.32 crore (provisional) on operating income of Rs.136.63 crore (provisional), as compared with PAT of Rs.5.64 crore on operating income of Rs.127.51 crore in the previous year. SIPPL's net worth stood at Rs.82.15 crore (provisional) as on March 31, 2015, as compared with Rs.72.32 crore a year earlier.

Contact List:

Media / Business Development	Analytical Contacts	Rating Desk
Antony Jose Vice President – Business Development Tel: +91-22-6714 1191 Email: antony.jose@smera.in Web: www.smera.in	Vinay Chhawchharia Manager – Corporate Ratings Tel: +91-22-6714 1156 Email: vinay.chhawchharia@smera.in	Tel: +91-22-6714 1184 Email: ratingdesk@smera.in