

Skyway InfraProjects Private Limited: (SIPPL)

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	70.00	SMERA BBB/ Stable (Upgraded from SMERA BBB-/Stable)
Bank Guarantee	100.00	SMERA A3+ (Upgraded from SMERA A3)

SMERA has upgraded long term rating to '**SMERA BBB**' (read as SMERA triple B) from 'SMERA BBB-' (read as SMERA triple B minus) and short term rating to '**SMERA A3+**' (read as SMERA A three plus) from 'SMERA A3' (read as SMERA A three) on the above mentioned bank facilities of Skyway InfraProjects Private Limited (SIPPL). The outlook is '**Stable**'. The upgrade is on account of the healthy order book position and improvement in revenues and the financial risk profile.

The ratings continue to draw comfort from the company's experienced management, strong project execution capability and established market presence. However, the ratings are constrained by the higher working capital intensity in operations and customer concentration risk. The ratings are also constrained due to the susceptibility of profitability to volatility of input prices and the intense competition in the construction sector.

Update

SIPPL's operating income has increased by ~43 per cent in FY2015–16 (refers to financial year, April 01 to March 31) to Rs.193.91 crore (provisional), as compared with Rs.135.66 crore in FY2014–15. The company has unexecuted order book of Rs.176.00 crore which provides revenue visibility for the next two years. The gearing (total debt to equity ratio) has improved to 0.83 times as on March 31, 2016 as against 1.25 times as on March 31, 2015. The company's interest coverage ratio has improved to 3.02 times in FY2015–16 as compared to 2.71 times in FY2014–15.

SIPPL's profit margins are susceptible to volatility in input prices. The company is also exposed to the inherent cyclical nature in the construction industry. The operating profit margin has been uneven and declined to 9.25 per cent in FY2014–15 from 11.33 per cent in FY2013–14. Subsequently, the same improved to 10.64 per cent in FY2015–16 (provisional). The company's net profit margin has remained almost stable in the past three years in the range of 4 per cent to 5 per cent.

SIPPL is exposed to geographical and customer concentration risk arising from high dependence on Municipal Corporation of Greater Mumbai (MCGM). The company generated ~56 per cent of its revenues from MCGM and ~27 per cent (PY: ~32 per cent) from Surat Municipal Corporation in FY2015–16. In an attempt to reduce geographic and customer concentration risk, the company also started executing projects in other regions.

SIPPL's gross current assets (GCA) improved to 376 days in FY2015–16 from 505 days in FY2014–15 due to improvement in debtors to 18 days in FY2015–16 from 92 days in FY2014–15. However, the inventory holding period of the company remains high due to work in progress.

Rating Sensitivity Factors

- Sustained improvement in scale of operations and profitability
- Efficient working capital management

Outlook: Stable

SMERA believes SIPPL's outlook will remain stable over the medium term owing to the company's comfortable order book and experienced management. The outlook may be revised to 'Positive' in case the company continues to generate healthy cash flows through successful execution of large projects while achieving efficient working capital management. Conversely, the outlook may be revised to 'Negative' in case of delays in project execution or deterioration in the financial profile on account of fall in profitability or stretch in liquidity position.

About the Company

SIPPL (formerly known as Sky-Way Construction Company) is a Mumbai-based company promoted by Mr. Moolsingh Berishalsingh Deora in 1978. The company undertakes infrastructure related projects. These include projects related to water supply, sewerage and storm water drains as also cement mortar lining apart from heritage work.

For FY2015-16 (provisional), SIPPL reported profit before tax (PBT) of Rs.14.48 crore on operating income of Rs.193.91 crore, as compared with PBT of Rs.10.13 crore on operating income of Rs.135.66 crore in the previous year. SIPPL's net worth stood at Rs.88.43 crore (provisional) as on March 31, 2016, as compared with Rs.78.91 crore a year earlier.

Rating History

Date	Facility	Amount (Rs. Crore)	Ratings		Rating/ Outlook
			Long Term	Short Term	
08 May, 2015	Cash Credit	70.00	SMERA BBB- (Reaffirmed)	-	Stable
	Bank Guarantee	100.00	-	SMERA A3 (Reaffirmed)	-
	Term Loan	0.20	SMERA BBB- (Withdrawn)	-	Stable
07 July, 2014	Cash Credit	70.00	SMERA BBB- (Assigned)	-	Stable
	Bank Guarantee	100.00	-	SMERA A3 (Assigned)	-
	Term Loan	0.20	SMERA BBB- (Assigned)	-	Stable

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ABOUT SMERA

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