

Press Release

Skyway Infraprojects Private Limited

08 February, 2018

Rating Upgraded



Total Bank Facilities Rated*	Rs. 170.00 Cr
Long Term Rating	SMERA BBB+ / Outlook: Stable
Short Term Rating	SMERA A2+

**Refer Annexure for details*

Rating Rationale

SMERA has upgraded the long term rating to **'SMERA BBB+' (read as SMERA triple B plus)** from **'SMERA BBB' (read as SMERA triple B)** and short term rating to **'SMERA A2+' (read as SMERA A two plus)** from **'SMERA A3+' (read as SMERA A three plus)** on the above mentioned bank facilities of Skyway Infraprojects Private Limited (SIPPL). The outlook is **'Stable'**.

The upgrade is driven by robust growth in revenue, demonstrated ability of the company to maintain profitability margins at healthy levels and efficient working capital cycle. SMERA believes that SIPPL will sustain revenue growth and profitability margins over the near to medium term.

The ratings are supported by the company's experienced management, strong project execution capability and established market presence. However, the ratings are constrained by the higher working capital intensive operations. The ratings also note the company's presence in the competitive construction sector.

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

List of key rating drivers and their detailed description

Strengths:

Long operational track record and experienced promoters

SIPPL has established operational track record in infrastructure development and heritage work for around four decades. Around 90 percent of the projects are executed for private parties. The company also executes projects for the government. SIPPL is registered with Municipal Corporation of Greater Mumbai (MCGM) as "AA" category contractor and is thus eligible to bid for all tenders (for sewage projects, heritage work and drainage projects) floated by MCGM. The company has demonstrated strong execution capability and has successfully executed projects worth ~ Rs. 789.54 crore in the last five years.

The company reported operating income of Rs. 208.67 crore for FY2017 as against Rs. 195.58 crore in the previous year. The marginal growth in revenue in FY2017 is on account of slowdown in the execution of projects during the last quarter of FY 2016-17 which accounts for around 50~60 percent of the total revenue during the year. The slowdown was due to demonetisation which restricted the company's ability to make payment to its labourers in cash. However, the company has reported improvement in revenue during FY 2017-18 as the company reported operating income of Rs. 260 crore during April, 2017 to December, 2017.

SIPPL has a strong order book position (as on December 15, 2017) reflected in pending orders of ~Rs. 544.46 crore, which are likely to be executed over the next two to three years.

The company also benefits from the extensive experience of the management including Mr. Moolsingh Deora, Mr. Chomansingh Deora Mr. Nirmal Madhani amongst others who collectively possess more than four decades of experience in the said line of business. The top management is ably supported by well qualified and experienced team of professionals.

Healthy financial risk profile

The financial risk profile continues to be healthy marked by strong networth position of Rs. 98.17 crore as on 31 March, 2017 as against Rs. 88.43 crore in the previous year. The gearing is comfortable at 0.80 times as on 31 March, 2017 as against 0.83 times in the previous year. The total debt of Rs. 78.48 crore as on 31 March, 2017 includes short term debt of Rs.70.52 crore, long term debt of Rs. 1.30 crore and interest free unsecured loan from related parties of Rs. 6.66 crore. The Interest Coverage Ratio improved to 4.84 times in FY2017 from 3.30 times in the previous year due to decline in interest cost. The Total Liabilities to Tangible Networth (TOL/TNW) stood at 1.21 times as on 31 March, 2017 as against 1.57 times in the previous year. SMERA expects the company to maintain its financial risk profile in the absence of major debt funded capex plan and moderate working capital requirement.

Strong liquidity position

SIPPL funds a large portion of its working capital requirements through long term funds (i.e. unsecured loans from promoters and related parties). The company has largely maintained credit balance in its cash credit account during the last six months ended 31 December, 2017. The company tends to utilise its bank limit utilisation mainly during the last quarter of the financial year. Further, the unencumbered cash and bank balance stood at Rs. 27.48 crore alongwith liquid investment of Rs. 26.45 crore as on 31st March, 2017. The current ratio stood at 1.89 times as on 31st March, 2017 as against 1.59 times in the previous year.

Weaknesses

Working capital intensive operations

The company has an elongated working capital cycle with Gross Current Assets (GCA) at 321 days for FY2017 as against 371 days in the previous year. This is on account of stretched inventory days at 135 for FY 2017 as against 145 days in the previous year. It is also on account of stretched debtor days, high cash and bank balance and security deposits to be maintained with the government entities. The build-up in debtors during the year-end is owing to majority of the revenue booking taking place during the last quarter i.e. ~50 percent of the total revenue.

Intense competition and cyclicity in the construction industry

The company also faces stiff competition from several organised and unorganised players in the construction sector.

Analytical approach:

SMERA has considered the standalone business and financial risk profile of the company for arriving at the rating.

Outlook: Stable

SMERA believes that SIPPL's outlook will remain stable over the medium term on the back of the company's strong order book and experienced management. The outlook may be revised to 'Positive' in case the company generates higher than expected growth in cash flows through successful execution of large projects while maintaining comfortable liquidity profile. Conversely, the outlook will be revised to 'Negative' in case of elongation of working capital cycle days or higher-than-expected debt funded capex.

Applicable Criteria

- Infrastructure Entities–<https://www.smera.in/criteria-infrastructure.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Application of Financial Ratios and Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

About the Rated Entity –Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	208.67	195.58	135.58
EBITDA	Rs. Cr.	19.90	20.17	12.60
PAT	Rs. Cr.	9.73	9.52	6.60
EBITDA Margin	(%)	9.54	10.31	9.29
PAT Margin	(%)	4.67	4.87	4.87
ROCE	(%)	11.52	12.54	9.78
Total Debt/Tangible Net Worth	Times	0.80	0.83	1.25
PBDIT/Interest	Times	4.84	3.30	3.31
Total Debt/PBDIT	Times	3.94	3.63	7.81
Gross Current Assets (Days)	Days	321	371	527

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Date	Name of Facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
7 July, 2014	Cash Credit	Long Term	70.00	SMERA BBB-/Stable (Assigned)
	Term Loan	Long Term	0.20	SMERA BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	100.00	SMERA A3 (Assigned)
8 May, 2015	Cash Credit	Long Term	70.00	SMERA BBB-/Stable (Reaffirmed)
	Term Loan	Long Term	0.20	SMERA BBB-/Stable (Withdrawn)
	Bank Guarantee	Short Term	100.00	SMERA A3 (Reaffirmed)
13 Aug, 2016	Cash Credit	Long Term	70.00	SMERA BBB/Stable (Upgraded from SMERA BBB- /Stable)
	Bank Guarantee	Short Term	100.00	SMERA A3+ (Upgraded from SMERA A3)
01 Nov, 2017	Cash Credit	Long Term	70.00	SMERA BBB Issuer not co- operating*
	Bank Guarantee	Short Term	100.00	SMERA A3+ Issuer not co- operating*

*The issuer did not co-operate; based on best available information

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	70.00	SMERA BBB+/Stable (Upgraded from SMERA BBB/Stable)
Bank Guarantee	N.A	N.A	N.A	100.00	SMERA A2+ (Upgraded from SMERA A3+)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, Tel: 022-67141190 Email: vinayak.nayak@smera.in Shashikala Hegde, Senior Rating Analyst, Tel: 022-67141321 Email: shashikala.hegde@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

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.