

Press Release

Skyway InfraProjects Private Limited

May 03, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 220.00 Cr.
Long Term Rating	ACUITE BBB+/ Outlook: Stable
Short Term Rating	ACUITE A2+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) to the Rs. 220.00 crore bank facilities of SKYWAY INFRAPROJECTS PRIVATE LIMITED (SIPL). The outlook is '**Stable**'.

SIPL (formerly known as Sky-Way Construction Company) is a Mumbai-based company promoted by Mr. Moolsingh Berishalsingh Deora and incorporated 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.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the SIPL to arrive at this rating.

Key Rating Drivers

Strengths

• Long operational track record and experienced promoters

SIPL 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. SIPL 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 more than Rs. 1000.00 crore in the last five years.

The company reported operating income of Rs. 276.45 crore for FY2018 as against Rs. 208.67 crore in the previous year. The company has reported operating income of Rs. 219.57 crore during April, 2018 to March, 2019. SIPL has a strong order book position (as on March 31, 2019) reflected in pending orders of ~Rs. 441.76 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 and 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 and liquidity position

The financial risk profile continues to be healthy marked by strong net worth position of Rs. 108.53 crore as on 31 March, 2018 as against Rs. 98.17 crore in the previous year. The gearing is comfortable at 0.45 times as on 31 March, 2018 as against 0.80 times in the previous year. The total debt of Rs. 49.20 crore as on 31 March, 2018 includes short term debt of Rs.43.46 crore, long term debt of Rs. 1.73 crore and interest free unsecured loan from related parties of Rs. 4.00 crore. Interest Coverage Ratio (ICR) improved to 8.60 times in FY2018 from 4.84 times in the previous year due to decline in interest cost. Total Liabilities to Tangible Net Worth (TOL/TNW) stood at 0.81 times as on 31 March, 2018 as against 1.21 times in the previous year.

SIPL 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 March, 2019. The company tends to utilise its bank limit utilisation mainly during the last quarter of the financial year. The current ratio stood at 2.27 times as on 31 March, 2018 as against 1.88 times in the previous year.

Acuite expects the company to maintain its financial risk profile in the absence of major debt funded capex plan and moderate working capital requirement.

Weaknesses

- **Working capital intensive operations**

The company has an elongated working capital cycle with Gross Current Assets (GCA) at 214 days for FY2018 as against 321 days in the previous year. This is on account of stretched debtor days at 107 for FY 2018 as against 57 days in the previous year and high security deposits to be maintained with the government entities. However, there is an improvement as compared to previous years, on account of low cash and bank balance and decrease in inventory holding period from 135 days for FY2017 to 17 days for FY2018. 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.

Liquidity Position:

SIPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.10.45-12.15 crore during the three years through 2016-18, while its maturing debt obligations were in the range of Rs.0.55-0.90 crore over the same period. The cash accruals of the company are estimated to remain around Rs.10.92-14.53 crore during 2019-21, while its repayment obligations are estimated to be around Rs.0.83 crore. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 214 in FY 2018. However, the reliance on working capital borrowings were low. The company maintains unencumbered cash and bank balances of Rs.0.39 crore as on March 31, 2018. The current ratio of the company stood healthy at 2.27 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite believes that SIPL'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.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	276.45	208.67	195.58
EBITDA	Rs. Cr.	19.00	19.90	20.17
PAT	Rs. Cr.	10.36	9.73	9.52
EBITDA Margin	(%)	6.87	9.54	10.31
PAT Margin	(%)	3.75	4.67	4.87
ROCE	(%)	11.32	11.52	26.30
Total Debt/Tangible Net Worth	Times	0.45	0.80	0.83
PBDIT/Interest	Times	8.60	4.84	3.30
Total Debt/PBDIT	Times	2.38	3.68	3.30
Gross Current Assets (Days)	Days	214	321	371

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities in Infrastructure Sector- <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-Feb-2018	Cash Credit	Long Term	70.00	ACUITE BBB+/ Stable (Upgraded from ACUITE BBB/Stable)
	Bank Guarantee	Short Term	100.00	ACUITE A2+ (Upgraded from ACUITE A3+)
01-Nov-2017	Cash Credit	Long Term	70.00	ACUITE BBB (Indicative)
	Bank Guarantee	Short Term	100.00	ACUITE A3+ (Indicative)
13-Aug-2016	Cash Credit	Long Term	70.00	ACUITE BBB/ Stable (Upgraded from ACUITE BBB-/Stable)
	Bank Guarantee	Short Term	100.00	ACUITE A3+ (Upgraded from ACUITE A3)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	70.00	ACUITE BBB+/ Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	150.00 (enhanced from Rs.100.00 Cr)	ACUITE A2+ (Reaffirmed)

Bank Guarantee includes sub-limit of Letter of Credit to the extent of Rs.25.00 crore.

Contacts

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