

Press Release

Skyway Infraprojects Private Limited

September 28, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 182.00 Cr. (Reduced from Rs. 220.00 Cr.)
Long Term Rating	ACUITE BBB+/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A2+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and the short-term rating of '**ACUITE A2+**' (read as **ACUITE A two plus**) on the Rs.182.00 crore bank facilities of Skyway Infraprojects Private Limited (SIPL). The outlook is '**Stable**'.

The rating reaffirmation considers the comfort drawn on the long track record of operations, stable business risk profile with a healthy order book position and improving profitability margins. Coupled to that, the company has a healthy financial risk profile, adequate liquidity with low bank limit utilization. The rating, however, remains constrained on account of uneven revenue trend mainly on account of tender based business and delay in execution of certain projects due to unavailability of clear work front.

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, stormwater drain and cement mortar lining. The company also undertakes heritage projects.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of 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 sewerage 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 an operating income of Rs. 221.40 crore (Provisional) for FY2020 as against Rs. 184.10 crore in the previous year. The company has reported operating income of Rs. 60.38 crore during April, 2020 to July, 2020. SIPL has a strong order book position (as on March 31, 2020) reflected in pending orders of ~Rs. 692.44 crore, which is 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 have more than four decades of experience in the said line of business. The top management is ably supported by a well qualified and experienced team of professionals.

- **Healthy financial risk profile**

The financial risk profile of SIPL is healthy marked by healthy net worth, low gearing and healthy debt protection metrics. The tangible networth increased to Rs.134.10 crore (Provisional) as on 31 March, 2020 as against Rs. 116.83 crore as on 31 March, 2019 on account of accretion to reserves. The company follows a conservative leverage policy as reflected by its peak gearing of 0.80 times as on March 31, 2017. The total debt of Rs. 0.24 crore (Provisional) as on March 31, 2020 includes term loans from banks. Since the company also receives support from trade credit and mobilization advances, its dependence on the banking system for working capital limits is moderate. The company has largely maintained credit balance in its cash credit account during the last six months ended 31 August, 2020. The company tends to utilise its bank limit utilisation mainly during the last quarter of the financial year. The gearing is expected to remain low in future due to expectations of healthy net worth. In FY2020, net cash accruals increased to Rs.19.12 crore (Provisional) as against Rs.9.87 crore in FY2019. The net cash accruals have increased on account of the increase in net profits. The improving profitability coupled with low gearing levels has resulted in healthy debt protection metrics, with interest coverage ratio (ICR) of 5.70 times (Provisional) and NCA/TD of 78.91 times for FY2020. Acuite expects the coverage indicators of SIPL to remain healthy on account of the expansion of profitability margins.

Acuite expects the company to maintain its financial risk profile on account of improving profitability and moderate working capital requirement.

Weaknesses

- **Uneven revenue trend due to the tender based nature of operations**

The company reported an operating income of Rs. 221.40 crore (Provisional) for FY2020 as against Rs. 184.10 crore for FY2019 and Rs. 276.45 crore for FY2018. The uneven trend in its revenue is mainly on account of tender based nature of operations which makes it vulnerable to order cyclicity. The company also faces stiff competition from several organised and unorganised players in the construction sector.

- **Working capital intensive operations**

The company has an elongated working capital cycle with Gross Current Assets (GCA) at 187 days (Provisional) for FY2020 as against 227 days in the previous year. This is on account of high-security deposits to be maintained with the government entities. However, there is an improvement as compared to the previous years on account of the decrease in inventory holding period from 75 days for FY2019 to 31 days (Provisional) for FY2020.

Rating Sensitivities

- Significant growth in operating revenues while maintaining the profitability margins.
- Stretched working capital cycle and deterioration in liquidity position.

Material Covenants

None

Liquidity Position: Healthy

SIPL has healthy liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.9.87-14.67 crore during the four years through 2017-20, while its maturing debt obligations were in the range of Rs.0.24-0.88 crore over the same period. The cash accruals of the company are estimated to remain around Rs.13.00-14.41 crore during 2021-22, while its repayment obligations are estimated to be around Rs.0.24 crore. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 187 (Provisional) in FY 2020. However, the reliance on working capital borrowings was low. The company maintains unencumbered cash and bank balances of Rs.24.26 crore (Provisional) as on March 31, 2020. The current ratio of the company stood healthy at 3.56 times (Provisional) as on March 31, 2020. Acuite believes that the liquidity of the company is likely to remain healthy over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuite believes that 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 the 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	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	221.40	184.10
PAT	Rs. Cr.	13.33	8.31
PAT Margin	(%)	6.02	4.51
Total Debt/Tangible Net Worth	Times	0.00	0.01
PBDIT/Interest	Times	5.70	10.91

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition -<https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities -<https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-May-2019	Cash Credit	Long Term	70.00	ACUITE BBB+/Stable (Reaffirmed)
	Bank guarantee	Short Term	150.00*	ACUITE A2+ (Reaffirmed)
08-Feb-2018	Cash Credit	Long Term	70.00	ACUITE BBB+/Stable (Upgraded)
	Bank guarantee	Short Term	100.00	ACUITE A2+ (Upgraded)
01-Nov-2017	Cash Credit	Long Term	70.00	ACUITE BBB (Indicative)
	Bank guarantee	Short Term	100.00	ACUITE A3+ (Indicative)

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

*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	32.00 (Reduced from Rs.70.00 Cr.)	ACUITE BBB+/Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	150.00	ACUITE A2+ (Reaffirmed)

Bank Guarantee includes sublimit of letter of credit to the extent of Rs.25.00 crore.

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About Acuité Ratings & Research:

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