

Press Release

Skyway Infraprojects Private Limited

December 27, 2021

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings Loan	150.00		ACUITE A2+ Reaffirmed
Bank Ratings Loan	32.00	ACUITE BBB+ Stable Reaffirmed	
Total	182.00	-	-

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, improved profitability margins and a healthy order book position. Coupled to that, the company has a healthy financial risk profile, strong liquidity position with low bank limit utilization. The rating, however, remains constrained on account of uneven revenue trend mainly on account of tender based business, delay in execution of projects and working capital intensive nature of operations.

About the Company

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 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 Cr. in the last five years.

Also, being an “AA” category contractor, the company is able to grab various government projects marked by strong unexecuted order book position (as on November 30, 2021) of ~Rs.1522 Cr., which is likely to be executed over the next two to three years.

Furthermore, 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 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 net worth increased to Rs.138.40 Cr. (Provisional) as on 31 March, 2021 as against Rs.127.55 Cr. as on 31 March, 2020 on account of healthy accretion to reserves, the later is the result of improvement in scale of operations/improvement in profitability margins. The company has followed a conservative financial policy in the past as reflected by absence of any debt over the last three years through FY 2021. The company does not have any balance sheet debt as on March 31, 2021.. Since the company also receives support from trade credit and mobilization advances, its dependence on the banking system for working capital limits has remained limited. The gearing level is expected to remain low in future due to absence of any scheduled capex. The company has largely maintained credit balance in its cash credit account. The improving profitability coupled with zero gearing levels has resulted in healthy interest coverage ratio (ICR) of 4.51 times (Provisional) for FY2021. Furthermore, the outstanding bank guarantee exposure of the company is currently around Rs.52 Cr. as on 31 August, 2021. The total outside liabilities to net worth also improved to 0.19 times as on 31 March, 2021(Provisional) compared against 0.40 times same period last year.

Acuité 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.147.46 Cr. (Provisional) in FY2021 as against Rs.221.43 Cr. in FY2020 and Rs.184.10 Cr. in FY2019. The uneven trend in its revenue is mainly on account of tender based nature of operations which makes it vulnerable to order cyclicality. The company has in past has demonstrated a bid-to-win ratio of 7.0 times and it follows a stringent criteria for bidding for projects. Apart from that, the operations of the company were also impacted due to covid-19 disruptions which led to delay in execution of its projects. Furthermore, the company 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 242 days (Provisional) for FY2021 as against 183 days in the previous year. This is majorly on account of increase in inventory holding period of 58 days for FY2021 (Provisional) compared against 26 days for FY2020. Also, the high GCA days is on account of increase in other current assets (which mainly constitutes deposits with various authorities and government receivables) of the company for the same period. This is on account of high security deposits to be maintained with the government entities. Despite working capital intensive nature of operations, the working capital limits remained unutilized on an average in last six months ended Oct, 2021.

Acuité believes that the working capital management for the company will remain a key rating sensitivity over the medium term.

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: Strong

SIPPL has strong liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.11.92 Cr. while its maturing debt obligations were nil over the same period. The cash accruals of the company are estimated to remain around Rs.14.93 - 21.27 Cr. during 2022-24 period while its repayment obligations are estimated to remain nil for the same period. Despite company's working capital intensive nature of operations as marked by gross current asset (GCA) days of 242 days for FY2021 (Provisional), the reliance on working capital borrowings remained low and was unutilized on an average in last six months ended Oct, 2021. The company maintains unencumbered cash and bank balances of Rs.4.62 Cr. (Provisional) as on March 31, 2021. The current ratio of the company stood healthy at 5.63 times (Provisional) as on March 31, 2021. Acuite believes that the liquidity of the company is likely to remain strong over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Outlook: Stable

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

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	147.46	221.43
PAT	Rs. Cr.	10.85	12.09
PAT Margin	(%)	7.35	5.46
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	4.51	5.36

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Sep 2020	Bank Guarantee	Short Term	150.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	32.00	ACUITE BBB+ Stable (Reaffirmed)
03 May 2019	Bank Guarantee	Short Term	150.00	ACUITE A2+ (Reaffirmed)
	Cash Credit	Long Term	70.00	ACUITE BBB+ Stable (Reaffirmed)
08 Feb 2018	Cash Credit	Long Term	70.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB)
	Bank Guarantee	Short Term	100.00	ACUITE A2+ (Upgraded from ACUITE A3+)
01 Nov 2017	Cash Credit	Long Term	70.00	ACUITE BBB (Issuer not co-operating*)
	Bank Guarantee	Short Term	100.00	ACUITE A3+ (Issuer not co-operating*)
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)
08 May 2015	Cash Credit	Long Term	70.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	100.00	ACUITE A3 (Reaffirmed)
	Term Loan	Long Term	0.20	ACUITE BBB- Stable (Withdrawn)
07 Jul 2014	Cash Credit	Long Term	70.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	0.20	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	100.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	150.00	ACUITE A2+ Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	32.00	ACUITE BBB+ Stable Reaffirmed

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

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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