

August 28, 2024

M/S Skyway Infraprojects Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash credit	32.00	32.00	[ICRA]BBB+ (Stable); reaffirmed
Long-term/ Short-term – Non-fund based – Bank guarantee	200.00	200.00	[ICRA]BBB+ (Stable)/ [ICRA] A2+; reaffirmed
Total	232.00	232.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation for M/S Skyway Infraprojects Private Limited (SIPL) reflects its healthy order book position, comfortable financial risk profile, marked by low leverage and healthy debt coverage metrics. In absence of any major capex/investment plans, the capital structure and coverage indicators are expected to remain comfortable, going forward. The ratings are supported by SIPL's established operational track record in execution of water supply and sewerage projects for reputed clientele like Municipal Corporation of Greater Mumbai (MCGM), which reduces the counterparty credit risk.

The ratings are constrained by the modest scale of operations and moderate operating margins. However, the same improved to 7.6% in FY2024 (FY2023: 6.8%) supported by royalty income received from two JV orders in Madhya Pradesh. SIPL's credit profile is exposed to project concentration risk (top five orders accounting for 58% of the total unexecuted order book as March 31, 2024) and high client-cum-regional concentration risk with top two counterparties comprising 84% of the unexecuted order book, with MCGM representing 62% and Madhya Pradesh Jal Nigam Maryadit (MPJNM) constituting the balance. Further, SIPL is exposed to moderately high execution risk as ~48% of the order book as on March 31, 2024 is at a nascent stage of execution (less than or equal to 15% of the projects executed). Orders from MPJNM account for a sizeable share (~23%) of the overall order book. However, the execution risk for the said projects is low for SIPL since these are entirely sub-contracted to its JV partner. ICRA also notes that the client has received new orders of Rs. 340 crore in FY2024 from state-government-owned entities in Karnataka and Gujarat.

The ratings note the stiff competition in the construction sector, which could put pressure on new order inflows and the company's exposure to sizeable contingent liabilities in the form of bank guarantees, mainly for contractual performance, mobilisation advance and retention money. Nonetheless, ICRA draws comfort from its execution track record and absence of invocation of guarantees in the past. Given its sizeable order book, the company's ability to mobilise resources and scale up operations remain crucial for timely completion of these projects.

The Stable outlook on SIPL's rating reflects ICRA's opinion that the company will benefit from its long track record of operations in the construction industry and a comfortable capital structure.

Key rating drivers and their description

Credit strengths

Established track record of operations and experienced promoters in water and sewerage works; reputed client profile – SIPL was established in 1978 and has more than four decades of experience in execution of sewerage works/treatment, water supply and building construction works. The company is registered with MCGM as an "AA" category contractor. At present, it mainly undertakes contracts for MCGM and MPJNM. SIPL continues to receive repeat orders from MCGM, which is reflected in its established working relationship with MCGM. Over the years, the company has executed several projects for various

other reputable government entities such as Madhya Pradesh Nagar Nigam, Surat Municipal Corporation and Vadodara Municipal Corporation, which leads to low counterparty risk for the company. The collection period has, over the years, remained largely stable at around 30 days.

Healthy order book position provides medium-term revenue visibility – SIPL had an unexecuted order book of Rs. 2,181 crore as on March 31, 2024 (OB/OI of 3.8 times of FY2024 OI), providing medium-term revenue visibility. Its order book witnessed strong growth with inflows of orders worth ~Rs. 450 crore in FY2024. Timely execution of the project and receipt of payments would be a key monitorable from the credit perspective.

Comfortable financial risk profile – The company's financial risk profile is comfortable with TOL/TNW of 0.4 times as on March 31, 2024. Further, it has healthy coverage indicators with interest coverage of 17.4 times and DSCR of 14.8 times on account of low debt levels. As on March 31, 2024, the total fund-based debt comprised ~Rs. 22 crore of working capital debt. ICRA understands from the management that SIPL does not have any major capex plans over the medium term.

Credit challenges

Modest scale of operations and profitability margins – The scale of operations, though improved, remained modest at ~Rs. 571 crore in FY2024 and moderate operating margins. However, the same improved to 7.6% in FY2024 (FY2023: 6.8%), mainly driven by royalty income received from two JV orders in Madhya Pradesh. With healthy order book position and expected sustenance of improved execution in FY2024, the revenues are likely to improve in FY2025. The operating margins are anticipated to remain stable in the medium term.

High geographical and customer concentration risks – The ratings are constrained by the moderate project concentration risk (top five orders accounting for 58% of the total unexecuted order book as March 31, 2024) and high client-cum-regional concentration risk with top two counterparties constituting 84% of the unexecuted order book, with MCGM representing 62% and MPJNM accounting for the balance.

Moderately high execution risk – SIPL's order book is exposed to moderately high execution risk as around 48% of the outstanding order book is in the nascent stages of execution (less than or equal to 15% of the projects executed). Of this, the company is yet to raise its first bill for 41% of the order book. Consequently, satisfactory project progress in the recently awarded contracts remains a key rating monitorable in the near term. ICRA understands, based on discussions with the management, that all required approvals and permissions have been received for these projects and the progress is smooth for most of them except for one order. While ICRA notes SIPL's exposure to sizeable contingent liabilities in the form of bank guarantees, comfort is drawn from its execution track record and absence of invocation of guarantees in the past.

Liquidity position: Adequate

SIPL has adequate liquidity, marked by sufficient cushion in working capital limits and cash balances. The company has unencumbered FDs of ~Rs. 65 crore and unutilised working capital limits of Rs. 15.4 crore as on June 30, 2024. Further, in the absence of any major capex plans and repayment obligations, along with expectation of healthy cash flow from operations, its liquidity position is likely to remain comfortable, going forward.

Rating sensitivities

Positive factors – ICRA could upgrade SIPL's ratings if there is substantial growth in revenues along with a material improvement in operating margin and diversification in business profile, while maintaining comfortable leverage and debt coverage metrics.

Negative factors – Pressure on SIPL's ratings could arise if there is sustained pressure on revenue or earnings, resulting in a material weakening of debt coverage metrics or liquidity position. Moreover, elongation of working capital cycle, thereby impacting the liquidity position could also be a trigger for a rating downgrade.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

SIPL, initially known as Sky-Way Construction Company, was founded in 1978 and was subsequently converted into a private limited company in 2008. It is based out of Mumbai and promoted by Mr. Mool Singh Deora, Mr. Berishal Singh Deora and their family. The company undertakes infrastructure development projects related to water supply, sewerage, stormwater drain and cement mortar lining. While the company has executed orders in Rajasthan, Gujarat and Goa in the past, the current orders are mainly in Maharashtra and Madhya Pradesh. It mainly executes orders for Government entities and is registered as an “AA” category contractor with MCGM, who drives a large share of its current, unexecuted order book.

Key financial indicators (audited)

SIPL Standalone	FY2023	FY2024*
Operating income (Rs. crore)	334.9	571.4
PAT (Rs. crore)	19.2	34.1
OPBDIT/OI (%)	6.8%	7.6%
PAT/OI (%)	5.7%	6.0%
Total outside liabilities/Tangible net worth (times)	0.4	0.4
Total debt/OPBDIT (times)	0.3	0.5
Interest coverage (times)	8.6	17.4

Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA’s calculations; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: ACUITE has maintained the rating for SIPL’s bank loans in the non-cooperating category. The issuer did not participate in the rating exercise despite continuous requests and follow-ups by the agency. Therefore, investors and other users are advised to take appropriate caution while using the rating. The rating will continue to appear as ‘ACUITE BB+/ACUITE A4+ (ISSUER NOT COOPERATING)’ on the agency’s website.

Any other information: None

Rating history for past three years

		Current (FY2025)		Chronology of rating history for the past 3 years					
		FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	28-Aug-2024	Date	Rating	Date	Rating	Date	Rating
Long-term /short-term – Bank guarantee- Non-fund based	Long Term/ Short Term	200.00	[ICRA]BBB+ (Stable)/ [ICRA]A2+	05-JUL-2023	[ICRA]BBB+ (Stable)/ [ICRA]A2+	01-SEP-2022	[ICRA]BBB+ (Stable)/ [ICRA]A2+	-	-
Long-term - Cash credit - Fund-based	Long Term	32.00	[ICRA]BBB+ (Stable)	05-JUL-2023	[ICRA]BBB+ (Stable)	01-SEP-2022	[ICRA]BBB+ (Stable)	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Cash credit	Simple
Long-term/ Short-term – Non-fund based – Bank guarantee	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based-Cash credit	NA	NA	NA	32.00	[ICRA]BBB+ (Stable)
NA	Non-fund based -Bank guarantee	NA	NA	NA	200.00	[ICRA]BBB+ (Stable)/ [ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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About ICRA Limited:

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