

April 25, 2025

Skyline Foundations and Structures Private Limited: Rating reaffirmed and removed from Issuer Non Cooperating category

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund based – Overdraft	15.00	15.00	[ICRA]BBB+ (Stable); reaffirmed and removed from Issuer Not Cooperating category
Total	15.00	15.00	

*Instrument details are provided in Annexure I

Rationale

ICRA has reaffirmed the rating assigned to Skyline Foundations and Structures Private Limited's (SF SPL) bank lines and removed it from Issuer Not Cooperating (INC) category owing to the company's cooperation in concluding the rating exercise. The rating reaffirmation factors in the estimated adequate sales and collections for its ongoing residential projects, which along with low reliance on external debt is likely to result strong leverage with estimated total debt/cash flow from operations of around 0.4 times as of March 2025 (PY: 0.2 times) and debt coverage metrics in FY2025. Its debt protection metrics are expected to remain strong in FY2026. Further, comfort is derived from SF SPL's strong liquidity on a sustained basis with customer advances adequately meeting the construction spend, along with available free cash and liquid balances of Rs. 175.0 crore as on December 31, 2024. The company's cash flow adequacy¹ remained comfortable at around 74% as on December 31, 2024 (as on March 31, 2023: 78%). The rating considers its established position in Trivandrum and Cochin residential real estate market, with low reliance on external debt and track record of more than three decades.

The rating is, however, constrained by the company's modest scale of operations with expected collections of Rs. 210-220 crore in FY2026 from ongoing residential projects with a combined saleable area of 1.16 million square feet (msf). Further, it is exposed to geographical concentration risk as the current projects are largely limited to Trivandrum and Cochin market (Kerala). The rating considers the company's exposure to moderate execution risk. Of the 10 ongoing residential projects, five projects are at initial stage of construction with 90% of cost yet to be incurred, as on December 31, 2024. Nevertheless, timely completion of completed projects provides comfort. SF SPL is exposed to moderate market risk with 37% of the area yet to be sold in the ongoing projects, as of December 2024.

The Stable outlook on the [ICRA]BBB+ rating reflects ICRA's opinion that the company will continue to maintain adequate sales and collections, along with strong debt protection metrics.

¹ Adequacy of committed cash flows = (Receivables from sold area) / (Pending cost + debt outstanding)

Key rating drivers and their description

Credit strengths

Established position with long track record – The company holds vast experience in the real estate sector spanning more than 30 years and has completed ~77 residential projects with a total saleable area of ~7 msf majorly in Trivandrum and Cochin. It is also present in other cities/towns of Kerala such as Guruvayoor and Kottayam.

Adequate sales in ongoing projects – In FY2024, SFSPL sold an area of 0.42 msf (80-85% YoY growth) and reported pre-sales of Rs. 299 crore (115% YoY growth) from the real estate segment. The new launches of residential projects for 0.46 msf of area in FY2024 contributed to high cash flows across the ongoing project portfolio. The company has achieved overall pre-sales of 63% in its ongoing projects with around 40% of the budgeted total cost incurred till December 31, 2024. It sustained healthy pre-sales in the ongoing projects launched in FY2024 and 9M FY2025. The same is expected to be healthy in FY2025 and FY2026, supported by the recent launches and upcoming projects. The cash flow adequacy remained adequate at around 74% as on December 31, 2024 (as on March 31, 2023: 78%).

Strong leverage and coverage metrics due to low debt levels – The company's total debt stood low at Rs. 11.9 crore as on December 31, 2024, as most of the projects were funded by customer advances. SFSPL is a low debt company, with a high net worth and strong free cash and liquid investments, resulting in strong leverage and debt coverage metrics.

Credit challenges

Moderate operating scale – SFSPL's scale of operations is moderate with the company's expected collections of Rs. 210-220 crore in FY2026, with a combined saleable area of 1.16 msf in the ongoing residential projects.

Moderate execution and market risks for ongoing projects – The company is exposed to moderate execution risk for its ongoing projects. Of the 10 ongoing residential projects, five projects are at initial stage of construction with 90% of cost yet to be incurred. Overall, the company is yet to incur 60% of the total cost on all the ongoing projects as on December 31, 2024. However, timely completion of completed projects provided comfort. Further, SFSPL is exposed to moderate market risk with 37% of the area yet to be sold in ongoing projects as of December 2024.

Exposed to geographical concentration risk and susceptibility to cyclicity in real estate sector – The company faces geographical concentration risk due to dependence of projects in Trivandrum and Cochin (Kerala). Moreover, being a cyclical industry, the residential real estate sector is highly dependent on macro-economic factors, which exposes its sales to any downturn in demand and competition within the region from various established developers.

Liquidity position: Strong

The company's liquidity position remains strong, characterised by free cash and liquid investments of Rs. 175 crore as on December 31, 2024. It also has an unutilised overdraft account of around Rs. 39.0 crore. Further, it has not taken any project-specific debt in the past and does not have any repayments in FY2026.

Rating sensitivities

Positive factors – The rating may be upgraded if there is significant increase in sales and collections resulting in healthy cash flow from operations while maintaining strong liquidity, leverage, and coverage metrics on a sustained basis.

Negative factors – Downward pressure on the rating could emerge in case of subdued sales and/or collections, or if any significant delay in completion of the ongoing projects resulting in weakening of the company's liquidity position or material increase in leverage on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Realty - Commercial/Residential/Retail
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Skyline Foundations and Structures Private Limited was incorporated in 2004. It is promoted by the brothers Mr. K. Lava and Mr. K. Srikant. With a track record of around three decades, it has an established position in the residential segment of the Trivandrum market. As of December 2024, it has developed ~77 residential real estate projects with an overall development of 7 msf. Besides, the company has ongoing development of 10 real estate projects comprising 1.16 msf. of area. SFSPL operates two hotels. The hospitality segment operates two properties under its Homebridge brand - Pyramid (Trivandrum) and Homebridge City- in Vellayambalam (Trivandrum), with 27 and 28 suite rooms respectively.

Key financial indicators (audited)

	FY2022	FY2023	FY2024
Operating income	146.0	206.1	240.2
PAT	42.4	41.0	47.4
OPBDIT/OI	34.9%	23.2%	23.0%
PAT/OI	29.1%	19.9%	19.7%
Total outside liabilities/Tangible net worth (times)	0.7	0.5	0.5
Total debt/OPBDIT (times)	0.03	0.10	0.01
Interest coverage (times)	145.6	131.1	47.8

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount Rated (Rs. crore)	Apr 25, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
Fund-based-Overdraft	Long term	15.0	[ICRA]BBB+ (Stable)	Sep 27, 2024	[ICRA]BBB+ (Stable); ISSUER NOT COOPERATING	Jun 13, 2023	[ICRA]BBB+(Stable)	Apr 28, 2022	[ICRA]BBB+(Stable)

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based – Overdraft	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-Overdraft	-	-	-	15.0	[ICRA]BBB+ (Stable)

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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