

Skyways Air Services Private Limited

January 08, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	221.00	CARE A-; Positive	Reaffirmed
Short-term bank facilities	9.00	CARE A1	Reaffirmed

Details of instruments/facilities in Annexure-1.

Detailed Rationale and key rating drivers

The ratings assigned to the bank facilities of Skyways Air Services Private Limited (Skyways) are based on the consolidated financials of the group owing to increasing importance of the subsidiaries exhibited by their growing share towards the profitability of the group. The reaffirmation of the ratings assigned to the bank facilities of Skyways continues to derive strength from the experienced promoters, established position of the group in the air freight forwarding industry, long-standing relationship with airline carriers, product diversification and focus of the company on high-yield revenue customers. The ratings also continue to factor in the increasing diversification of the group in ocean and other logistics segment with a diverse customer base leading to growing volume of operations in FY23 (refers to the period from April 1 to March 31). The ratings also continue to take comfort from the healthy cash and liquid investments, sufficient cushion in working capital limits and comfortable net debt position (after adjusting for fixed deposits). These strengths, however, continue to remain constrained by thin profitability margins and elongated collection period. Furthermore, the ratings also continue to remain constrained by the exposure of business prospects to variation in global economic cycle and highly fragmented & competitive nature of the freight industry. The ratings take cognizance of moderation in total operating income and profitability of the company during FY23 and H1FY24 (refers to the period April 01 to September 30) largely due to decline in realizations, however volumes witnessed growth.

Rating sensitivities:

Positive factors - Factors that could lead to positive rating action/upgrade:

- Significant improvement in volumes with sustained profit before interest, lease rentals, depreciation and tax (PBILDT) margin above 4.5%.
- Timely realization of receivables resulting in collection period below 40 days on a sustained basis.

Negative factors

- Deterioration in its capital structure with overall gearing of more than 1.60x on a sustained basis.
- Delay in realization of receivables resulting in collection period above 60 days on a sustained basis.
- Significant increase in working capital requirements and resultant weakening of liquidity position.
- Any debt-funded capex/acquisition leading to deterioration in capital structure.

Analytical approach: Consolidated

CARE Ratings Limited (CARE Ratings) has followed the consolidated approach by considering the financials and business profile of its group companies Brace Port Logistics Limited, Phantom Express Pvt Ltd, Forin Container Line Pvt Ltd, Skart Global Express Pvt Ltd, SLS Logistik Academy Pvt Ltd, Surgeport Logistics Pvt Ltd. The consolidated approach is followed on account of all these entities form part of the Skyways group and increasing importance of these entities exhibited by growing volume of business and increasing share in overall profitability of the group. Refer the companies in the consolidation in Annexure 6.

Outlook: Positive

The continuation of positive outlook reflects expected growth in the volumes and improvement in the profitability margins on account of established relationship with reputed customers.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Detailed description of the key rating drivers:

Key strengths

Diversified segment and customer base with long-standing relationship with airline carriers

Over the years, the group has diversified its operations into all the three segments of logistics viz., air, ocean and road through its subsidiaries. The air freight forwarding business under Skyways contributes around 76% of group's revenue (Rs.1147.82 crores in FY23). The group provides international and domestic air freight services to its broad and diversified customer base in the verticals of automotive, pharmaceuticals and textile etc. It is also evident by the top five customers forming only 13.64% of the total income of the company during FY23 (PY: 9.24%). The group receives better rates, performance-linked incentives with volume discounts and preference in available space owing to long-standing relationship with airlines carriers. The Skyways group has various annual price and service level agreements in place with majority of airlines including Qatar Airways, Emirates and Lufthansa etc.

Experienced promoters and established position in air freight forwarding industry

The Skyways group is promoted by S.L. Sharma, who has a vast experience of more than five decades in the logistics business. He was the President of the "Air Cargo Agents Association of India" (ACAAI) from 2013 to 2015 and is presently the Member, Board of Advisors, ACAAI. Furthermore, the promoters are assisted by a team of qualified professionals who have substantial experience in the logistics domain. The Skyways group has a long and established presence in the air freight industry for more than three decades. The group provides freight forwarding services to its customers for both import logistics and export logistics through its 26 branches spread across India. Furthermore, the group had received accreditation from International Air Transport Association (IATA) in 1987. The company is also certified under the World Health Organization Good Distribution Practices (GDP) valid up to December 31, 2024.

Moderate capital structure albeit comfortable position on net debt level

The capital structure of the group improved marginally to 1.42x as on March 31, 2023 as against 1.59x as on March 31, 2022 mainly on account of accretion of profits. The total debt mainly comprises of working capital amounting to Rs. 150.70 crores as on March 31, 2023 owing to working capital intensive operations of the group. The high working capital requirements are driven by increase in collection period to 48 days in FY23 (PY: 42 days).

However, the group has sufficient cash and liquid investments lien marked against their fund-based facilities. As on March 31, 2023, the group had sufficient cash and liquid investments amounting to ₹173.24 crore which after adjusted against debt leads to net debt of Rs. 1.78 crore as on March 31, 2023 and adjusted overall gearing of 0.01x. As on September 30, 2023 Skyways on standalone basis had cash and liquid investment including lien marked FD's of ₹208.70 crore.

Key weaknesses

Moderation in total operating income and profitability of the company during FY23 and H1FY24

Total operating income of the company on consolidated basis moderately reduced in FY23 & stood at ₹1,505.06 crore from ₹1688.56 crore in FY22. The PBILDT of the company also moderated during FY23 and stood at ₹67.36 crore from ₹ 76.71 crore in FY22. During H1FY24, the company on a standalone basis continued to report moderation in total operating income which stood at ₹400.09 crore as against ₹674.24 crore during H1FY23. The moderation was largely on account of decline in international air freight rates by about 30% as compared to the previous year. Approximately 90% of the business share of the company is from Air Freight Services largely contributed by international freight business resulting in subdued total operating income. The company also reported decline in Ocean Freight Services owing to approximately 16% decline in container prices during FY23. The decline in freight prices was largely on account of increasing competition post COVID-19 and low demand from the international market due to geo-political pressure and recessionary trend. However, the company reported growth in business volumes on y-o-y basis to 26,266 tonne in H1FY24 as against 25,154 tonne in H1FY23 on a standalone basis.

Highly fragmented and competitive industry

The freight forwarding industry is highly fragmented with large number of operators owing to low entry barriers. Presence of various players results in intense competition within the industry. High fragmentation and intense competition lead to unhealthy price wars and discounts resulting in pressure on margins and depressed freight rates. However, Skyways with superior quality of service and presence in different locations across country and diversified clientele across various industries with well-established global networks enjoys competitive edge.

Exposure to variation in global economic cycles

The prospects of shipping & logistics industry are closely linked to the global economy and the industries in which its customers operate. The freight movement and earnings of the logistic industry is primary function of demand and supply for industrial raw materials in the global market. The global economic slowdown can result in muted business for the logistics industry. Furthermore, government policies like import/export ban, restrictions in import volume, increase in customs duty etc. can also impact the business of freight forwarding companies. Going forward, any significant impact of the same on the financial risk profile of the company shall remain a key monitorable.

Liquidity: Strong

The liquidity position of the group is strong as the repayment obligations of the group are low at ₹6.64 crore as against projected cash accruals of around ₹30 crore. The current ratio of the group remains comfortable at 1.26x as on March 31, 2023 (PY-1.22x). Skyways has total cash and bank balance of ₹208.70 crore out of which unencumbered cash and cash equivalents of ₹67.30 crore as on September 30, 2023 and rest is lien marked against fund-based limits. The average working capital utilization for the fund-based limits stood at around 80% for the past 12 months ending September 2023.

Applicable criteria
[Policy on default recognition](#)
[Consolidation](#)
[Factoring Linkages Parent Sub JV Group](#)
[Financial Ratios – Non financial Sector](#)
[Rating Outlook and Credit Watch](#)
[Short Term Instruments](#)
[Service Sector Companies](#)
About the company and industry

The group was founded on August 08, 1983 by S.L. Sharma (Chairman, Managing Director and founder). The group under Skyways provides international and domestic freight services through airway channel (air freight forwarding services). As a forwarding agent, Skyways' main activity is to contract with air carriers for shipment of goods for its customers and customs clearance and other related documentation are also performed by Skyways. The group is also providing logistics services through its subsidiaries i.e. Skyways SLS Logistik GmbH, Surgeport Logistics Pvt. Ltd., Phantom Express Pvt. Ltd. and freight services through Oceanway channel through its group company i.e. Forin Container Line Pvt Ltd.

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport services	Transport-related services

Consolidated Financials

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (P)
Total operating income	1,688.56	1,505.45
PBILDT	76.71	67.36
PAT	50.55	41.03
Overall gearing (times)	1.59	1.42
Interest coverage (times)	9.10	5.10

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Working capital limits		-	-	-	221.00	CARE A-; Positive
Non-fund-based-Short term		-	-	-	9.00	CARE A1

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT-Working capital limits	LT	221.00	CARE A-; Positive	-	1)CARE A-; Positive (02-Jan-23)	1)CARE A-; Stable (07-Jan-22) 2)CARE A-; Stable (06-Apr-21)	-
2	Non-fund-based-Short term	ST	9.00	CARE A1	-	1)CARE A1 (02-Jan-23)	1)CARE A2+ (07-Jan-22) 2)CARE A2+ (06-Apr-21)	-

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Working capital limits	Simple
2	Non-fund-based-Short term	Simple

Annexure-5: Lender details

To view the lender-wise details of bank facilities please [click here](#)

Annexure-6 List of entities forming part of consolidated financials (as on March 31, 2023)

Sr. No.	Name of Entity	Holding
1	Surgeport Logistics Private Limited	76%
2	Phantom Express Private Limited	99.99%
3	SLS Logistik Academy Private Limited	80%
4	Skart Global Express Private Limited	100%
5	Sgate Tech Solutions Private Limited	51%
6	Brace Port Logistics Private Limited	76%
7	Forin Container Line Private Limited	99.99%
8	Skyways SLS Logistik Private Limited	100%
9	Skyways SLS Logistics GMBH (Germany)	100%
10	Skyways SLS Logistik Company Ltd (Vietnam)	70%
11	Skyways SLS Frugal Pvt Ltd (Bangladesh)	40%

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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