

Skyways Air Services Private Limited

April 07, 2025

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

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Skyways Air Services Private Limited (Skyways) are based on the group's consolidated financials owing to increasing importance of the subsidiaries exhibited by their growing share towards the group's profitability.

Revision in the long-term rating and reaffirmation in the short-term rating assigned to bank facilities of Skyways reflects a significant enhancement in its business risk profile, driven by a ramp-up in operations, increased revenue, and stable operating efficiency in 10MFY25 (refers to April 01 to January 31). While the volume handled reported increase in FY24, revenue witnessed a de-growth due to reduced air freights. In 10MFY25, volume handled further grew to 52,900 tons and the group reported revenue of ~₹1,760 crore (annualised growth of ~64% over FY24) with a profit before interest, lease rentals, depreciation and taxation (PBILDT) margin of 4.07% during the period. Ramping up of operations in recently acquired entities also improved the operating margins.

Ratings are further supported by Skyway's healthy cash and liquid investments, cushion available in working capital limits, and augmentation of working capital with equity infusion of ₹68.54 crore in January 2025 on private placement basis. Net debt (adjusted for lien marked fixed deposits) position remained comfortable with a net debt/PBILDT of 2.37x in FY24. With absence of large debt-funded capex, equity infusion and improved profitability, the debt coverage metrics are expected to remain comfortable in the medium term.

Ratings continue to benefit from experienced promoters, the group's established position in the air freight forwarding industry, long-standing relationships with airline carriers, company's focus on high-yield revenue customers and product diversification.

However, the rating strengths are tempered by the thin profitability margins and an elongated collection period. Ratings are limited by the exposure of business prospects to fluctuations in the global economic cycle and the highly fragmented and competitive nature of the freight industry.

Rating sensitivities:

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

- Significant improvement in the scale of operations above ₹3,000 crore while maintaining interest, lease rentals, depreciation and tax (PBILDT) margin at current levels.

Negative factors

- Deterioration in its capital structure with overall gearing of over 1.00x 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 Skyways and its subsidiaries. The consolidated approach is followed considering all these entities forming part of the Skyways group and increasing importance of entities exhibited by growing volume of business and increasing share in overall profitability of the group. The companies in the consolidation are mentioned in Annexure-6.

Outlook: Stable

The Stable outlook assigned to Skyways is on expectation of steady growth in its scale of operation and augmentation of net worth base and strengthening of debt coverage indicators.

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

Detailed description of key rating drivers:

Key strengths

Improving volumes and revenue in 10MFY25 and profit improvement

The group's total operating income (TOI) decreased to ₹1,290 crore in FY24 from ₹1,487 crore in FY23, due to lower realisations and reduced revenue from freight forwarding amid declining freight rates. However, business volumes increased YoY to 52,543 tons in FY24 from 47,007 tons in FY23.

For 10MFY25, the TOI reached ₹1,760 crore, surpassing the total TOI for FY24. Cargo handled in this period also exceeded FY24 levels, reaching 52,900 tons, driven by revised international air freight rates and higher sales volumes.

In FY24, the group's PBILDT margin moderated to 3.75% from 4.53% in FY23, impacted by lower realisations and preliminary expenditures from the acquisition of Rahat Continental Private Limited in October 2023. However, in 10MFY25, Skyways achieved a PBILDT margin of 4.07% and a profit after tax (PAT) of ₹40.88 crore. The group has implemented regular price adjustments and customer arrangements to mitigate cost increases, and ramping up operations in newly acquired entities has improved operating margins.

Comfortable net debt position

The capital structure of the group (as represented by overall gearing) moderated marginally to 2.16x as on March 31, 2024, against 1.42x as on March 31, 2023, mainly due to higher working capital utilisation. Sizeable working capital debt is availed against FDs with net debt position of ₹95.47 crore as on March 31, 2024. Adjusted overall gearing (considering net debt) stood at 0.69x as on March 31, 2024. Net debt (adjusted for fixed deposits) position remained comfortable with a net debt/PBILDT of 2.37x in FY24.

The capital structure, nonetheless, improved in 10MFY25 with pre-IPO funding of ₹68.54 crore in January 2025. Augmentation of net worth base and absence of major debt-funded capex is expected to improve capital structure over near term.

Sustaining and improving the capital structure will remain a key monitorable going forward.

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 over 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. 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 over 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. 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).

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

Over the years, the group has strategically diversified its operations across all three logistics segments: air, ocean, and road, through its subsidiaries. This diversification in geographical reach and clientele is expected to continue supporting the business risk profile. The air freight forwarding business under Skyways contributes ~75% of the group's revenue (₹1290 crore in FY24), with consolidated revenue projected to increase substantially for FY25, driven by volumetric growth, healthy demand, the addition of new customers, and improved traction from other business segments such as road, courier, and ocean freight. The group provides both international and domestic air freight services to a broad and diversified customer base across various verticals, including automotive, pharmaceuticals, and textiles. This diversification is further evidenced by the top five customers accounting for only 7.53% of the total income in FY24 (previous year: 13.81%). The group benefits from better rates, performance-linked incentives with volume discounts, and preferential access to available space due to its long-standing relationships with airline carriers. The Skyways group has established annual price and service level agreements with major airlines, including Qatar Airways, Emirates, and Lufthansa.

Key weaknesses

Low operating profitability

Operating margins and realisations are susceptible to volatility in freight costs, as evidenced in FY22 and FY23 when container shortages led to high realisations, which corrected in FY24, impacting profitability. Operating profitability declined to 3.75% in FY24 from 4.53% in FY23. Recent acquisition of Rahat Continental Private Limited and its preliminary expenditures also affected margins. However, the group has implemented regular price adjustments and revised customer arrangements to mitigate cost increases. The ramp-up of operations in newly acquired entities improved the operating margin to 4.07% by January 2025. The operating margin is expected to remain within 4.10-4.50% going forward. The group's presence in diverse product segments reduces the impact of price volatility in any specific segment. Sustaining and improving profitability will remain a key monitorable going forward.

Elongated collection period

The collection period increased to 67 days in FY24 from 48 days in FY23 and is expected to remain in the range of 60-70 days as articulated by the management. Of the ₹934 crore TOI for FY24 on a standalone basis, ₹320 crore was achieved in Q4FY24, leading to higher debtors in absolute terms for FY24.

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 industries with well-established global networks enjoys competitive edge.

Exposure to variation in global economic cycles

The prospects of shipping and 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. Government policies such as import/export ban, restrictions in import volume, increase in customs duty among others, can also impact freight forwarding companies. Going forward, 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 ₹22.03 crore against projected cash accruals of ~₹60-70 crore. The current ratio of the group remains comfortable at 1.21x as on March 31, 2024 (PY-1.24x). Skyways has total cash and bank balance of ₹246.42 crore out of which unencumbered cash and cash equivalents of ₹107.71 crore as on January 31, 2025, and rest is lien marked against fund-based limits. The average working capital utilisation for the fund-based limits stood at ~60% for the past 12 months ending October 2024.

Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Service Sector Companies](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport services	Transport-related services

The Skyways 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, Skyways SLS Logistik GmbH, Surgeport Logistics Pvt. Ltd., Phantom Express Pvt. Ltd. and freight services through Oceanway channel, through its group company, Forin Container Line Pvt Ltd.

Consolidated Financials

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	10MFY25 (UA)
Total operating income	1,487	1,290	1,760
PBILDT	67	48	72
PAT	41	30	41
Overall gearing (times)	1.42	2.16	NA
Interest coverage (times)	5.10	2.53	3.18

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Working Capital Limits		-	-	-	221.00	CARE A; Stable
Non-fund-based-Short Term		-	-	-	9.00	CARE A1

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Working Capital Limits	LT	221.00	CARE A; Stable	-	1)CARE A-; Positive (08-Jan-24)	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 (08-Jan-24)	1)CARE A1 (02-Jan-23)	1)CARE A2+ (07-Jan-22) 2)CARE A2+ (06-Apr-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities- Not applicable**Annexure-4: Complexity level of 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 detailsTo view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Surgeport Logistics Private Limited	Full	Subsidiary
2	Phantom Express Private Limited		Wholly owned subsidiary
3	Skyways SLS Logistics GMBH (Germany)		Wholly owned subsidiary
4	SLS Logistik Academy Private Limited		Subsidiary
5	Skart Global Express Private Limited		Subsidiary
6	Skyways SLS Logistik Company Ltd (Vietnam)		Subsidiary
7	Sgate Tech Solutions Private Limited		Subsidiary
8	Brace Port Logistics Private Limited		Subsidiary
9	Forin Container Line Private Limited		Subsidiary
10	Skyways SLS Logistik Private Limited		Wholly owned subsidiary
11	Hubload SLS Services Private Limited		Wholly owned subsidiary
12	Northport Logistics Private Limited		Wholly owned subsidiary
13	Skyways SLS Cargo Services LLC (Dubai)		Subsidiary
14	Skyways SLS Logistik Company Ltd (Hong Kong)		Subsidiary
15	Rahat Continental Private Limited		Subsidiary

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

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