

Developer grading rationale
December 6, 2019, Thiruvananthapuram
Skyline Foundations and Structures Private Limited

Developer grading	DA2+
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Valid till: December 5, 2020

Detailed rationale

CRISIL has reaffirmed its real estate developer grading of 'DA2+' on Skyline Foundations and Structures Pvt Ltd (SFS). The grading indicates that the developer's ability to execute real estate projects as per the specified quality level and within the stipulated time schedule, and to transfer a clean title, is **'Very Good'**.

The grading continues to reflect the promoters' strong brand image, goodwill in the Kerala real estate market, healthy project development strategies with standardised work flow processes and systems, and a sound second-line management team. The grading also factors in SFS's strong financial risk profile, with healthy gearing and debt protection metrics. Liquidity is comfortable, driven by healthy bookings for ongoing projects, timely receipt of customer advances, and sparingly utilised bank limits.

Grading strengths are partially offset by exposure to geographic concentration risk, limited track record in commercial and retail development, delays in obtaining occupancy certificates due to procedural delays, and dependence on customer advances for funding needs.

The promoters, Mr K Srikant and Mr K Lava, have experience of over three decades in the real estate sector. The Company has good brand equity and reputation in the Kerala residential market. It has adopted sound strategies for land development to reduce costs and risks and a strong legal strategy, and does most of the civil construction work in-house.

The financial risk profile is strong, as reflected in low gearing of 0.01 time, networth of Rs 89 crore, Profit after tax of Rs 23 crore and healthy cash accrual of Rs 25 crore in fiscal 2019.

Geographic concentration risks persist, with presence largely concentrated in Thiruvananthapuram and Kochi. Since inception, the Company has completed 68 projects aggregating 5.93 million square feet. Its seven ongoing projects cover 0.84 million square feet. Projects have been completed with average delays of about one month in the past five years.

About the developer

Incorporated in 2004 and promoted by Mr K Srikant and Mr K Lava, SFS undertakes real estate development in Kerala and is among the reputed developers in the state. The promoters are technically qualified and have been in the business for over three decades. The company has adopted several initiatives to enhance customer awareness and boost sales, including interior designing, homecare, and redecoration of apartments.

The company has an established track record of over three decades, having executed 68 projects involving the development of 5.93 million square feet (sq ft) across real estate markets in Kerala. The company has seven ongoing projects in the residential segment with total saleable area of 0.84 million sq ft.

The development strategy focuses on residential projects that are mainly undertaken on joint development basis, require limited upfront investment, and are largely funded through customer advances.

The company operates three service apartment hotels in Thiruvananthapuram and Guruvayur under the Homebridge brand, and provides rental and homecare services. It plans to come up with a home restoration service for units sold earlier.

SFS has a presence in the major cities of Kerala, such as Kochi, Thiruvananthapuram, Kottayam, and Guruvayur.

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