

Press Release

Yug Infrastructures Private Limited (YIPL)

17 May, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs.14.00 Cr
Long Term Rating	SMERA B/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs.14.00 crore bank facilities of Yug Infrastructures Private Limited (YIPL). The outlook is '**Stable**'.

Yug Infrastructures Private Limited was incorporated in 2013 is a Delhi based private limited company. The company is primarily engaged in the construction of bridges and subways for Indian Railways as well as private players. The company is promoted by Mr. Varun Gupta, Mr. Malvinder Singh, Mr. Vimal Kishore Kaushik, Mr. Navjeet Singh Sobti and Mr. Mukesh Ralhan.

List of key rating drivers and their detailed description:

Strengths:

Experienced management: The promoters, Mr. Varun Gupta, Mr. Malvinder Singh, Mr. Vimal Kishore Kaushik, Mr. Navjeet Singh Sobti and Mr. Mukesh Ralhan have an overall experience of over a decade in the same line of business. The company is ably supported by the second line of management which includes professionals from technical & commercial background.

Moderate order book: The company has a moderate order of Rs.30.56 crore which lends comfortable revenue visibility over the medium term.

Weaknesses:

Small scale of operations amidst tender based nature of business: The scale of operations is relatively small with a turnover of around Rs. 3.96 cr in FY2017 (provisional) as compared to Rs. 10.41 cr in the previous year. The dip in turnover of the company has been mainly on account of lack of orders from customers. The business of the company is highly dependent on the company's ability to successfully bid for the contracts. However, the promoters' experience and relationship partially mitigates this risk.

Moderate financial risk profile: The moderate financial risk profile is marked by conservative gearing, low net worth and constrained debt protection metrics. The gearing is low and comfortable marked by 0.79 times as on 31st March 2017 (Prov.) as compared to 0.49 times as on 31st March 2016. The debt mainly comprises of unsecured loans from friends and relatives of Rs.0.48 crore and working capital of Rs.1.99 crore in FY2017 (Prov.). The net worth base is low at Rs.3.12 cr as on 31st March 2017 (Prov.). The interest coverage and debt service coverage ratios stood at 1.18 times and 1.16 times respectively in FY2017 (Prov.). In FY2016, the interest coverage ratio stood at 2.76 times while the debt service coverage ratio stood at 2.29 times.

Stretched working capital cycle: The company's working capital cycle is stretched evident from the high gross current assets (GCAs) of 559 days in FY2016-17 [Prov.] (as compared to 206 days in FY2015-16). This is in account of high inventory - 147 days and debtors - 351 days in FY2016-17 (Prov.). Further, the company's liquidity profile is stretched as it fully utilises its working capital limits.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the company.

Applicable Criteria

- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes YIPL's outlook will remain stable and the company will benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the company is able to have a steady revenue profile with stable operating margins and improve its working capital cycle. The outlook may be revised to 'Negative' in case the company faces stretched working capital cycle or fall in revenue.

About the Rated Entity – Key Financials

For FY2017 (Prov.), the company reported profit after tax (PAT) of Rs.0.01 crore on operating income of Rs.3.95 crore, as compared with PAT of Rs.0.10 crore on operating income of Rs.10.41 crore in FY2016. The net worth stood at Rs.3.12 crore as on March 31, 2017 (Prov.) against Rs.3.11 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	FY 2018			FY 2017		FY 2016		FY 2015	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Cash Credit	LT	10.00	SMERA B/Stable (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	2.00	SMERA A4 (Assigned)	-	-	-	-	-	-
Proposed Bank Facility	LT	2.00	SMERA B/Stable (Assigned)	-	-	-	-	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	10.00	SMERA B/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	2.00	SMERA A4 (Assigned)
Proposed Bank Facility	N.A	N.A	N.A	2.00	SMERA B/Stable (Assigned)

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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