

## Press Release

### Shayona Corporation

October 01, 2019



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 20.00 Cr.
<b>Short Term Rating</b>	ACUITE A4+

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed the short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.20.00 crore bank facilities of Shayona Corporation.

Shayona Corporation (SC), a partnership firm, was established in 2005. The firm undertakes construction of buildings, bridges and roads for government and related entities at Nagpur and Thane, Maharashtra. SC is registered as a Class I-A contractor with the Public Works Department, Maharashtra.

### Analytical Approach

Acuité has considered the standalone business and financial risk profile of Shayona Corporation to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Experienced management**

SC, established by Mr. Ramesh Dabhi and Mr. Jignesh Patel, is a civil construction firm and caters to the Municipal Corporations of Thane, Mira-Bhayander and Nagpur. The partners have more than two decades of experience in civil construction.

- **Prudent capital structure**

The firm has followed a conservative financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible networth (TOL/TNW) levels of 1.08 and 1.65 times as on March 31, 2019 (Provisional). SC's moderate cash accrals to the tune of about Rs.14.17 crore have supported in minimizing the reliance on external debt. Entire borrowings on the balance sheet consist of unsecured loans from promoters.

The moderate profitability levels coupled with low debt levels has led to healthy debt protection measures. The NCA/TD and interest coverage ratio for FY2019 (Provisional) were healthy at 0.37 times and 6.78 times, respectively.

#### Weaknesses

- **Geographical concentration risk**

Since the firm caters to government entities in Maharashtra, it is exposed to geographical concentration risk.

- **Uneven scale of operations**

The operations of the firm are uneven at Rs. 84.77 crore for FY2019 (Provisional) as compared to Rs. 94.62 crore for FY2018 and Rs. 89.17 crore for FY2017, due to the tender based nature of business. Further, there is limited visibility of revenue in the medium term as current order book stands low at Rs. 25.37 crore.

#### Rating Sensitivity

- Increase in scale of operations, while maintaining stable profit margins
- Deterioration in financial risk profile due to capital withdrawal

#### Mandatory Covenants

None

### Liquidity position

The firm has adequate liquidity marked by moderate net cash accruals to no maturing debt obligations. The firm generated cash accruals of Rs. 14.17 crore to Rs. 20.90 crore during the last three years through 2017-19, while its maturing debt obligations were in the range NIL for the same period. The firm maintains unencumbered cash and bank balances of Rs. 11.35 crore as on March 31, 2019 (Provisional). The current ratio of the firm stood moderate at 4.14 times as on March 31, 2019 (Provisional). Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of no major repayments.

### About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	84.77	94.62	89.17
EBITDA	Rs. Cr.	14.65	25.34	19.38
PAT	Rs. Cr.	13.67	25.20	20.47
EBITDA Margin	(%)	17.28	26.78	21.73
PAT Margin	(%)	16.13	26.63	22.96
ROCE	(%)	22.26	36.36	28.61
Total Debt/Tangible Net Worth	Times	1.08	0.70	0.35
PBDIT/Interest	Times	6.78	11.52	8.34
Total Debt/PBDIT	Times	2.28	1.05	0.88
Gross Current Assets (Days)	Days	107	123	102

### Status of non-cooperation with previous CRA (if applicable)

Not applicable

### Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

### Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Sep-2018	Bank Guarantee	Short Term	20.00	ACUITE A4+ (Indicative)
07-Sep-2017	Bank Guarantee	Short Term	20.00	ACUITE A4+ (Assigned)

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A4+ (Reaffirmed)

## Contacts

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### About Acuité Ratings & Research:

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