

Press Release

Yogesh Construction

December 27, 2019



Rating Downgraded

Total Bank Facilities Rated	Rs.45.00 crore (Enhanced from Rs.40.00 crore)
Long Term Rating	ACUITE BB-/ Stable (Downgraded from ACUITE BB)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE BB-**' (**read as ACUITE double B**) from '**ACUITE BB**' (**read as ACUITE double B**) and reaffirmed the short term rating to '**ACUITE A4 +**' (**read as ACUITE A four plus**) on Rs.45 crores bank facilities of Yogesh Construction. The outlook is '**Stable**'.

The rating downgrade is on account of decline in revenues, as there have been delays in execution and completion of many projects undertaken, coupled with working capital intensive nature of operation marked by high gross current asset days (GCA) of 633 for FY2019 as against 354 days for FY2018 due to high debtor days of 199 as on 31 March, 2019 as compared to 122 days as on 31st March, 2018 and high amount of Rs.32.02 crore deposits to be maintained with customers including tender deposits and retention money . Any further deterioration in revenues and profitability margins or working capital management on account of lack of execution of projects undertaken will be a key rating sensitivity factor.

Yogesh Construction (YC) established in 1996 by Mr. Pravin Shah as a proprietorship firm. Later, in 2007, the entity changed its constitution to a partnership and promoted by with Mr. Yogesh Shah and Mr. Pravin Shah. The firm is engaged in execution of civil construction contracts for Municipal Corporation of Greater Mumbai (MCGM). The firm undertakes contracts for drainage, sewerage construction and road repair and construction

Analytical Approach

ACUITE has considered the standalone business and risk profile of YC to arrive at the rating.

Key Rating Drivers:

Strengths

- Experienced management and established track record of operations**

Yogesh Construction was into operation since 1996. The firm executes civil construction contracts including drainage, sewerage construction and road repair for Municipal Corporation of Greater Mumbai (MCGM). The partners of the firm, Mr. Yogesh Shah and Mr. Pravin Shah collectively have been part of the civil construction industry for more than two decades.

- Moderate financial risk profile**

Yogesh Construction's moderate financial risk profile is marked by healthy net worth, comfortable gearing and moderate debt protection metrics. The net worth of the company stands healthy at Rs.50.08 crore as on 31st March 2019 as against Rs.44.99 crore as on 31st March 2018 due to retention of profits. The team has considered unsecured loan of Rs.30.00 crore as quasi capital, as its subordinated with bank debt. The firm has comfortable gearing at 0.22 times as on 31st March 2019 as compared to 0.26 times as on 31st March 2018. The

total debt facility of Rs.11.03 crore comprises of long term debt Rs.0.42 crore, short term debt of Rs.2.39 crore, loans from body corporates, friends and relatives of Rs.8.11 crore as on FY2019 and maturing obligations of Rs.0.11 crore for the year FY 19. The Interest Coverage Ratio (ICR) stood moderate at 1.33 times in FY2019 as against 1.80 times in FY2018. The Debt Service Coverage Ratio (DSCR) also stood healthy at 1.28 times as on 31st March 2019. Net Cash Accruals to total Debt (NCA/TD) stood low at 0.12 times as on 31 March, 2019 as against 0.25 times as on 31 March, 2018. Acuité believes that the firm will improve its financial risk profile in absence of debt funded capex plan.

Weaknesses

- Decreased revenue due to lack of execution of undertaken projects

Yogesh Construction's revenues have decreased to Rs.35.14 crore in FY 19 as against Rs.51.33 crore in FY18 due to delay in execution and completion of many projects undertaken. However, Acuité believes that the unexecuted order book position of Rs.350.48 crore will give revenue visibility over the medium term.

- Working capital intensive nature of operation

The operations are working capital intensive marked by gross current asset days (GCA) of 633 for FY2019 as against 428 days for FY2018. This is mainly on account of high debtor days of 199 as on 31 March, 2019 as compared to 122 days as on 31st March, 2018. This high GCA is also due to high amount of Rs.32.02 crore deposits to be maintained with customers including tender deposits and retention money. Acuité believes that the firm will remain capital intensive as the nature of business is tender based and there is a large dependence on one single client i.e. Municipal Corporation of Greater Mumbai.

Rating Sensitivity

- Improvement in Working Capital Management
- Timely execution of the project

Material Covenants

No

Liquidity Position: stretched

YC has stretched liquidity by low cash accruals of Rs.1.33 crore as compared to maturing debt obligation of Rs.0.11 crore in FY 2019. The company's working capital intensive operations are marked by high gross current asset (GCA) days of 633 in FY 2019 backed by high debtor days of 199 days in FY 2019. The cash credit limit of the company remains utilized at ~ 25 percent for last six months ended 30th September 2019. The firm has cash and bank balances of Rs.0.18 crore as on March 31, 2019. The current ratio of the company stands healthy at 4.53 times as on March 31, 2019. Acuité believes that the liquidity of is likely to improve on account of no debt funded capex plans in the near future and timely execution of the undertaken projects.

Outlook: Stable

Acuité believes that the outlook on the bank facilities provided to the Yogesh Construction will remain stable over the medium term taking into account of the firm's established operational track record and good amount of experience in the civil construction industry. The outlook may be revised to 'Positive' in case they maintain their healthy gearing and achieve the estimated growth in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of lack of execution of projects leading to decline in revenues and profitability measures and continued working capital intensive operations.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Revenue	Rs. Cr.	35.14	51.33
PAT	Rs. Cr.	1.14	2.72
PAT Margin	(%)	3.23	5.31
Total Debt/Tangible Net Worth	Times	0.22	0.26
PBDIT/Interest	Times	1.33	1.80
Total Debt/PBDIT	Times	2.03	1.78

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-15.htm>

Note on complexity levels of the rated instrument

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

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

ICRA, vide its press release dated May 30, 2018 had denoted the rating of Yogesh Construction as 'ICRA B+/Stable/A4; ISSUER NOT COOPERATINGN RATING WITHDRAWN'.

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
10-Jan-2018	Cash Credit	Long Term	5.00	ACUITE BB/Stable (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A4 +/Stable (Reaffirmed)
	Proposed Bank Guarantee	Short Term	5.00	ACUITE A4 +/Stable (Reaffirmed)
21-Mar-2017	Cash Credit	Long Term	5.00	ACUITE BB/Stable (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A4 +/Stable (Assigned)
	Proposed Bank Guarantee	Short Term	5.00	ACUITE A4 +/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	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB-/Stable (Downgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A4+ (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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