

Press Release

Yogesh Construction

January 05, 2021



Rating Withdrawn

Total Bank Facilities Rated*	Rs.45.00 Cr.
Long Term Rating	ACUITE BB- (Withdrawn)
Long Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.45.00 crore bank facilities of Yogesh Construction.

The rating withdrawal is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and no dues certificate received from bankers.

About the Company

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 the 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

Acuité has taken the standalone view of the business and financial risk profile of YC to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management.**

YC was established in 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.

Acuité believes that YC will sustain its existing business profile and will continue to benefit on the back of its experienced management.

- **Moderate financial risk profile**

The financial risk profile of the firm stood moderate marked by modest net worth, low gearing and moderate debt protection metrics. The tangible net worth stood at Rs.55.16 crore (includes quasi equity of Rs.30.00 crore) as on 31 March, 2020 (Provisional) as against Rs.50.08 crore as on 31 March, 2019. The total debt of the firm stood at Rs.8.12 crore as on 31 March 2020 (Provisional) includes Rs.0.29 crore of long term debt, Rs.7.28 crore of unsecured loans from promoters and Rs.0.55 crore of short term debt. The gearing (debt-equity) stood at 0.15 times as on 31 March, 2020 (Provisional) as compared to 0.22 times as on 31 March, 2019. Interest Coverage Ratio stood at 2.27 times for FY2020 (provisional) as against 1.33 times for FY2019. Debt Service Coverage Ratio (DSCR) stood at 2.22 times in FY2020 (Provisional) as against 1.28 times in FY2019. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 0.58 times as on 31 March, 2020 (Provisional) as against 0.49 times on 31 March, 2019. Net Cash Accruals to Total Debt (NCA/TD) also stood moderate at 0.76 times for FY2020 (Provisional).

Weaknesses

• Intensive working capital management

The firm has an intensive working capital cycle marked by Gross Current Assets (GCA) days of 201 days in FY2020 (Provisional) and 633 days in FY2019. The receivable days stood at 62 days in FY2020 (Provisional) as against 199 days in FY2019. The average bank limit utilisation stood low at ~15 percent for the past five months ending August 2020.

Acuité believes that efficient working capital management will be crucial to the firm in order to maintain a healthy risk profile.

• Risk of capital withdrawal

The firm is exposed to the risk of capital withdrawal considering its partnership constitution. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the group.

Rating Sensitivities

Not Applicable

Material Covenants

None

Liquidity: Adequate

The firm's liquidity profile is adequate marked by moderate net cash accruals against its maturing debt obligations. The firm has net cash accruals in the range of Rs.1.30-6.00 crore through FY2018-20, while the maturing debt obligations are in the range of Rs.0.10-0.15 crore for the same period. The working capital management of the firm is intensive marked by GCA days of 129 days in FY2020 (Provisional) as against 633 days in FY2019. The firm maintains low unencumbered cash and bank balances of Rs.0.09 crore as on March 31, 2020 (Provisional). The current ratio stands modest at 2.79 times as on March 31, 2020 (Provisional). The average bank limit utilization for the past 5 months ending August 2020 is ~ 15 percent.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	123.34	35.14
PAT	Rs. Cr.	5.97	1.14
PAT Margin (%)	(%)	4.84	3.23
Total Debt/Tangible Net Worth	Times	0.15	0.22
PBDIT/Interest	Times	2.27	1.33

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Dec-2019	Cash Credit	Long Term	5.00	ACUITE BB-/Stable (Downgraded)
	Bank Guarantee	Short Term	35.00	ACUITE A4+ (Reaffirmed)

	Proposed Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
03-Jan-2019	Cash Credit	Long Term	5.00	ACUITE BB/Stable (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Guarantee	Short Term	5.00	ACUITE A4+ (Reaffirmed)
21-Nov-2017	Cash Credit	Long Term	5.00	ACUITE BB/Stable (Assigned)
	Bank Guarantee	Short Term	35.00	ACUITE A4+ (Assigned)
	Proposed Bank Guarantee	Short Term	5.00	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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB- (Withdrawn)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A4+ (Withdrawn)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Withdrawn)

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About Acuité Ratings & Research:

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