

## Yash Hydro Phoenix Project Private Limited

February 22, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Action	Rating
Long Term Bank Facilities	10.00	CARE BB; Stable	Assigned	
Long Term / Short Term Bank Facilities	40.00	CARE BB; Stable / CARE A4	Assigned	

Details of instruments/facilities in Annexure-1

### Rationale & key rating drivers

The rating assigned to the bank facilities of Yash Hydro Phoenix Project Private Limited (YHPPL) formerly Yash Construction Co.(YCC) continue to be tempered by thin profitability margins susceptible to volatility in input costs, leveraged capital structure coupled with below average debt coverage indicators, geographical concentration of work-in-hand, working capital-intensive nature and stretched liquidity.

The rating also derives comfort from experienced management, registered as Class AA contractor with Government of Gujarat and healthy order book position.

### Rating Sensitivities: Factors likely to lead to rating actions

#### Positive Factors

- Sustained increase in scale of operations of the company above Rs. 200 crore.
- Improvement in profitability margins, with PBILDT margins over 5% leading to higher cash accruals

#### Negative Factors

- Decline in PBILDT margins to below 1.50%
- Deterioration in overall gearing over 3 times on a sustain basis.
- Elongation in gross current asset days to over 200 days on a sustain basis.

**Analytical approach:** Standalone

### Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the company will continue to benefit from its experienced promoter and healthy order book.

### Detailed description of the key rating drivers:

#### Key weaknesses

**Exposed to customer concentration risk; albeit reputed clientele:** YHPPL, formerly YCC bids for design and installation of sewage and water treatment equipment's tenders issued by Gujarat governments viz. Gujarat Water Supply and Sewerage Board (GWSSB), which accounts for about 80% of total revenue thus exposing to customer concentration risk. However, comfort is drawn from its long-standing and established relationship with the various reputed government entities across Gujarat.

**Geographical concentration risk and high dependence on government spending:** All the projects in hand of the company are concentrated in Gujarat; exposing the company to geographical concentration risk. Moreover, the entire revenue of YHPPL, formerly YCC comes from government contracts, which makes the company susceptible to any drop in government spending on infrastructure projects and changes pertaining to policies regarding awarding of tenders to contractors.

**Thin and fluctuating profitability margin:** The profitability margin of YHPPL, formerly YCC remained fluctuating in the past four years ending FY23 on account of susceptibility to fluctuation in input prices. PBILDT margin of the company have increased from 1.99% in FY22 to 2.96% in FY23 on account of decrease in construction cost owing to stabilisation in prices of material costs (steel, aluminium etc). Further, PAT margin of the company has increased from 1.46% in FY22 to 1.82% in FY23 in line with increase in PBILDT margin. The profit margin of the company depends on the nature of work undertaken during the period and the same varies on contract-to-contract basis owing to tender driven nature of operations along with limited ability to pass on the increase in material costs to customers in a competitive operating environment. Going forward, amidst cyclicity inherent in the construction industry, ability to improve profitability through operating efficiency remains critical from credit perspective.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Leveraged capital structure and below average debt coverage indicators:** YHPPL's, formerly YCC capital structure continues to remain leveraged on account of small net worth base and high reliance on external debt availed for working capital requirements coupled with availment of various long-term loans (Vehicle loan and JCB loan), the overall gearing was at 2.83x as on March 31, 2023 (vis-à-vis 2.63x as on March 31, 2022). However, the comfort can be drawn from the fact that out of total debt of the firm, 65% of the debt in form of unsecured loan from related parties and are interest free in nature. Further, YHPPL has acquired YCC w.e.f. Oct 16, 2023, wherein equity share capital of the company stood at Rs. 2.89 crore as Jan 31, 2024, and company has increased unsecured loan from Rs. 20.10 crore as on March 31, 2023 to Rs. 26.53 crore as on Jan 31, 2024, whereby capital structure of the company continues to remain leveraged. The debt coverage indicators, continues to remain weak with total debt/GCA at 11.62 times in FY23 (vis-à-vis 9.56 times in FY22). Interest coverage ratio also deteriorated marginally to 1.94x in FY23 (2.78x in FY22).

**Working capital intensive nature of operations: The operations remain working capital intensive** as reflected by its high gross current assets (GCA), estimated at around 217 days for FY23 majorly due to funds being utilised for credit given to clients of around 118 days. Since the company's primary customers are Gujarat Water Supply and Sewerage Board (GWSSB) and due to procedural delays, the realization of debtors is slow resulting in a high collection period. Also, the long receivable period includes the retention money on various projects, further increasing the receivable period. Further, the creditors period remained in the range of 60-100 days from its suppliers lead to increase in working capital cycle from 11 days in FY22 to 24 days in FY23.

### Key rating Strength:

**Long track record of operations of the firm coupled with extensive experience of the promoters in water waste management industry:** YHPPL, formerly YCC was started as a proprietorship concern by Mr. Sandip Sinh N. Gohil in the year 2000. Further, YHPPL has acquired YCC w.e.f. Oct 16, 2023 with Mr. Yashpalsinh Nirubha Gohil and Mr. Girvansinh Velubha Gohil as its directors. The promoters experience of over a decade in the water equipment and sewage equipment installation business, their strong understanding of market dynamics and healthy relationships with suppliers and customers, will continue to support the business risk profile.

**Growing scale of operations:** YHPPL, formerly YCC has consistently achieved revenue of over Rs. 100 crores in past three years ended on FY23. However, the total operating income (TOI) of the company declined significantly by 30% in FY23 and stood at 129.69 crore in FY23 (vis-à-vis Rs. 185 crore in FY22) owing to lower execution of orders. Further, in 10MFY24 the company has reported a TOI of Rs.91.76 crore (Including TOI of Rs.57 crore in YCC up to October 16, 2023).. Going forward, the revenue of the company is expected to remain largely stable on the back of the progress in projects YTFY24.

**Healthy order book position:** YHPPL, formerly YCC had an outstanding order book of Rs.428 crore as on December 01, 2023 which is 3.31 times of billing in FY23. Further, out of the total order, orders amounting to Rs. 60 crore are to be executed in FY24 which provides revenue visibility in the medium term.

### Liquidity Position: Stretched

The liquidity position of the company remained stretched as indicated by low free cash and bank balance of Rs.0.08 crore as on March 31, 2023. Besides, the company's operation in the construction segment which inherently has high working capital intensity primarily due to funding requirement towards the security deposits, margin money for the non-fund-based facilities, receivables and inventory. The utilization of fund based limit remain almost full and the company's bank guarantee facilities are utilised to the extent of 80%.

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Construction](#)

### About the company and industry

#### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

Gujarat based; Yash Construction Co. (YCC) is a proprietorship firm that was established in the year 2000 by proprietor Mr. Sandip Singh Nirubha Gohil. The firm is presently engaged in installation of sewage treatment and water treatment works. YCC is registered as a class AA contractor with Government of Gujarat. Thus, firm bids for tenders floated by Gujarat governments and procures raw material i.e. cement, steel, pipes and other construction material from suppliers prescribed only by its customers. The average tenure of a project ranges between 12 months to 36 months. The firm procures the sewage/water treatment equipment and installs the same at client's location. The company also provides AMC services post installation of equipment. Further, Sandip Singh Nirubha Gohil (proprietor) along with two more directors have formed a new company "Yash Hydro Phoenix Project Private Limited (YHPPL)" and w.e.f. Oct 16, 2023, YHPPL has acquired YCC.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	*From Oct 16, 2023 to Jan 31, 2024
Total operating income	185.02	129.70	34.76
PBILDT	3.67	3.84	NA
PAT	2.70	2.36	NA
Overall gearing (times)	2.63	2.83	NA
Interest coverage (times)	2.78	1.94	NA

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

\* Yash Hydro Phoenix Project Private Limited (YHPPL) has acquired YCC w.e.f. Oct 16, 2023.

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE BB; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	40.00	CARE BB; Stable / CARE A4

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST*	40.00	CARE BB; Stable / CARE A4				
2	Fund-based - LT-Cash Credit	LT	10.00	CARE BB; Stable				

\*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities : Not Applicable****Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

## Contact us

<p><b>Media Contact</b></p> <p>Name: Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a></p> <p><b>Relationship Contact</b> Name: Saikat Roy Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-67543404 E-mail: <a href="mailto:saiikat.roy@careedge.in">saiikat.roy@careedge.in</a></p>	<p><b>Analytical Contacts</b></p> <p>Akhil Goyal Director <b>CARE Ratings Limited</b> Phone: 022- 6754 3590 E-mail: <a href="mailto:akhil.goyal@careedge.in">akhil.goyal@careedge.in</a></p> <p>Name: Manohar Annappanavar Associate Director <b>CARE Ratings Limited</b> Phone: 022-6754 3436 E-mail: <a href="mailto:manohar.annappanavar@careedge.in">manohar.annappanavar@careedge.in</a></p> <p>Name: Suchita Narkar Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Suchita.shirgaonkar@careedge.in">Suchita.shirgaonkar@careedge.in</a></p>
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### About us:

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