

Press Release

Eastern Cargo Carriers (India) Private Limited

06 April, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	SMERA BB /Outlook: Stable

**Refer annexure for details*

SMERA has reaffirmed the long term rating of '**SMERA BB**' (**read as SMERA double B**) on the Rs. 15.00 crore bank facilities of Eastern Cargo Carriers (India) Private Limited. The outlook is '**Stable**'.

Eastern Cargo Carriers India Private Limited (ECCIPL), the flagship company of the Eastern group is engaged in the logistics business. Incorporated in 1992, the company provides freight forwarding services and is registered with IATA (International Air Transport Association), WCA (World Cargo Alliance), WCA Pharma, FIATA (International Federation of Freight Forwarders Associations) among others.

Key rating drivers

Strengths

Established track record of operations and experienced management:

ECCIPL was incorporated in 1992. The company benefits from its established track record of operations and experienced management. Mr. Alok Seth and Mr. Lalitkumar Seth, Directors, possess experience of around three decades in the logistics industry.

Comfortable financial risk profile:

ECCIPL has comfortable financial risk profile marked by tangible networth of Rs. 11.70 crore as on 31 March, 2017 as against Rs. 9.46 crore in the previous year. The gearing stood at 1.19 times on 31 March, 2017 as against 1.36 times in the previous year. The total debt of Rs. 13.89 crore includes term loans from bank of Rs. 5.61 crore and working capital funds of Rs. 7.67 crore. The Interest coverage ratio (ICR) stood at 3.20 times for FY2017 as against 4.11 times for FY2016. The total liabilities to tangible networth (TOL/TNW) stood at 2.31 times as on 31 March, 2017 as against 2.79 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.12 times in FY2017 compared to 0.13 times in FY2016

Reputed clientele:

The company's reputed client base includes Cipla Limited, Tata Motors Limited, and Hindalco industries limited among others.

Efficient working capital management and adequate liquidity:

The Company continues to efficiently manage its working capital requirement with Gross Current Asset days of 67 for FY2017 compared to 53 days in the previous year. The average cash credit utilization for the last six months stood at around 57.85 per cent ended February, 2017.

Weaknesses

Declining revenue:

ECCIPL's operating income stood at Rs.130.00 crore in FY2017 compared to Rs.134.10 crore in FY2016 and Rs.130.59 crore in FY2015. The decline in revenue is due to changing market conditions and the company is not able to pass on the cost to the customers. Further, for the period April, 2017- February, 2018, the operating income stood at Rs.120.00 crore.

Thin profit margins due to commission based nature of business:

Operating margin of ECCIPL is low at 1.86 percent in FY2017 as compared to 1.81 percent in FY2016. PAT margin of the company is also low at 0.94 percent in FY2017 and FY2016. Margins are low mainly due to commission based nature of business of the company.

Competition from large and established players in the industry:

ECCIPL operates in a highly competitive and fragmented industry wherein large numbers of players (Satkar Logistics Private Limited, Kakinada Seaports Limited, etc.) are present in the unorganized sector.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Eastern Cargo Carriers (India) Private Limited to arrive at the rating.

Outlook - Stable

SMERA believes that the outlook on ECCIPL's rated facilities will remain stable over the medium term on account of its promoter's extensive experience and established operational track record. The outlook may be revised to 'Positive' in case of significant growth in revenue and profitability while effectively managing its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in net cash accruals, deterioration in the financial and liquidity profile due to higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	130.00	134.10	130.59
EBITDA	Rs. Cr.	2.42	2.43	2.48
PAT	Rs. Cr.	1.22	1.26	1.32
EBITDA Margin	(%)	1.86	1.81	1.90

PAT Margin	(%)	0.94	0.94	1.01
ROCE	(%)	10.97	13.93	18.03
Total Debt/Tangible Net Worth	Times	1.19	1.36	1.24
PBDIT/Interest	Times	10.97	13.93	18.03
Total Debt/PBDIT	Times	4.53	4.25	2.91
Gross Current Assets (Days)	Days	67	53	60

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

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Services Entities - <https://www.smerra.in/criteria-services.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-March-2017	Cash Credit	Long Term	7.50	SMERA BB / Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	0.67	SMERA BB / Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	6.83	SMERA BB / Stable (Reaffirmed)
10-Dec-2015	Cash Credit	Long Term	7.50	SMERA BB / Stable (Assigned)
	Proposed Cash Credit	Long Term	0.67	SMERA BB / Stable (Assigned)

	Proposed Long Term Loan	Long Term	6.83	SMERA BB / Stable (Assigned)
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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	7.50	SMERA BB/ Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB/ Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.55	SMERA BB/ Stable (Reaffirmed)

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ABOUT SMERA

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