

## Press Release

### Eastern Cargo Carriers (India) Private Limited

June 27, 2019

### Rating Upgraded



|                                     |   |
|-------------------------------------|---|
| <b>Total Bank Facilities Rated*</b> | Rs. 15.00 Cr.   |
| <b>Long Term Rating</b>             | ACUITE BB+ / Outlook: Stable<br>(Upgraded from ACUITE BB /Stable) |

\* Refer Annexure for details

### Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.15.00 crore bank facilities of **Eastern Cargo Carriers (India) Private Limited** (ECPL). The outlook is '**Stable**'.

The upgrade is driven by growth in the revenues and profitability of the company resulting in improvement in its financial risk profile. Acuité believes going ahead the company will sustain the growth in revenues and profitability margins over the medium term.

ECPL, 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.

### Analytical Approach

Acuité has considered the standalone financial and business risk profiles of ECPL to arrive at the rating.

### Key Rating Drivers:

#### Strengths

#### • Established track record of operations and reputed clientele

ECPL was incorporated in 1992 by Seth brothers. The company benefits from its established track record of operations with managerial experience of its directors cum promoters. Mr. Alok Seth and Mr. Lalitkumar Seth possess around three decades of experience in the logistics industry. The extensive experience of the promoters and the established presence in the industry has helped the company to generate healthy relations with various customers such as Cipla Limited, Tata Motors Limited, Mylan and Hindalco industries limited among others which contributes to around 60 percent of its total revenues.

Acuité believes that ECPL will continue to benefit from the promoter's established presence in the logistics industry and its improving business risk profile over the medium term.

#### • Comfortable financial risk profile

The company has comfortable financial risk profile marked by moderate tangible net worth, healthy debt protection metrics and low gearing.

The tangible net worth improved to Rs.18.19 crore as on 31 March, 2019 (Provisional) as compared to Rs.13.83 crore as on 31 March, 2018. This includes unsecured loans from Directors amounting to Rs. 5.42 crore as on 31 March, 2019 (Provisional) which is considered as quasi equity.

The management follows conservative policy with peak gearing for the last 3 years at 1.22 times; this further improved to 0.44 times as on March 2019 (Provisional). The total debt of Rs. 8.01 crore as on 31 March, 2019 (Provisional) comprises of working capital borrowings of Rs.3.68 crore and long term loan of Rs.4.33 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.27 times as on 31 March, 2019 (Provisional). The coverage ratios stood healthy with interest coverage ratio stood at 4.91 times in FY2019 (Provisional) and Debt service coverage ratio (DSCR) stood at 2.01 times in FY2019. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.46 times as on 31 March, 2019.

Going forward, Acuité expects the company to maintain its financial risk profile and improve its net worth in the absence of major debt funded capex plan.

## Weaknesses

### • Fluctuating revenues and thin profit margins

ECPL's operating income stood at Rs.160.25 crore in FY2019 (Provisional) as against Rs.128.48 crore in FY2018 and Rs.141.44 crore in FY2017 showing fluctuating revenues due to various factors in the industry such as change in regulatory requirements, changing market conditions. Margins of the company have remained low between 1.71 percent to 2.73 percent in the past three years. Margins are low mainly due to commission based nature of the business.

### • Intense competition

ECPL operates in a highly competitive and fragmented industry wherein large number of players are present in the unorganised sector. It faces competition from organised as well as unorganised sector in the industry.

### Liquidity Position:

The company has adequate liquidity position with high net cash accruals vis-à-vis its debt repayment obligation. The average bank limit utilisation for cash credit facility stood at ~17% for the period of last six months ended March 2019. Also, ECPL has maintained unencumbered cash and bank balance of Rs. 1.10 crore as on March 2019. It has current ratio of 1.61 times as on March 2019.

### Outlook: Stable

Acuite believes that the outlook on ECPL's rated facilities will remain 'Stable' over the medium term on account of its promoters' 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    | FY19 (Provisional) | FY18 (Actual) | FY17 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income              | Rs. Cr. | 160.25             | 128.48        | 141.44        |
| EBITDA                        | Rs. Cr. | 4.38               | 2.44          | 2.42          |
| PAT                           | Rs. Cr. | 3.10               | 0.44          | 1.22          |
| EBITDA Margin                 | (%)     | 2.73               | 1.90          | 1.71          |
| PAT Margin                    | (%)     | 1.93               | 0.35          | 0.87          |
| ROCE                          | (%)     | 20.35              | 8.34          | 11.06         |
| Total Debt/Tangible Net Worth | Times   | 0.44               | 1.00          | 1.22          |
| PBDIT/Interest                | Times   | 4.91               | 1.90          | 3.20          |
| Total Debt/PBDIT              | Times   | 1.28               | 4.79          | 4.52          |
| Gross Current Assets (Days)   | Days    | 66                 | 82            | 61            |

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

Not applicable

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities in service sector - <https://www.acuite.in/view-rating-criteria-6.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                 |
|-------------|---------------------------------|------------|------------------|---------------------------------|
| 06-Apr-2018 | Cash Credit                     | Long Term  | 7.50             | ACUITE BB / Stable (Reaffirmed) |
|             | Term Loan                       | Short Term | 5.00             | ACUITE BB / Stable (Reaffirmed) |
|             | Proposed Bank Facility          | Short Term | 2.50             | ACUITE BB / Stable (Reaffirmed) |
| 03-Mar-2017 | Cash Credit                     | Long Term  | 7.50             | ACUITE BB / Stable (Reaffirmed) |
|             | Term Loan                       | Long Term  | 5.50             | ACUITE BB / Stable (Reaffirmed) |
|             | Proposed                        | Long Term  | 0.67             | ACUITE BB / Stable (Reaffirmed) |
|             | Proposed                        | Long Term  | 1.33             | ACUITE BB / Stable (Reaffirmed) |
| 10-Dec-2015 | Cash Credit                     | Long Term  | 7.50             | ACUITE BB / Stable (Assigned)   |
|             | Proposed Cash Credit            | Long Term  | 0.67             | ACUITE BB / Stable (Assigned)   |
|             | Proposed Long Term Loan         | Long Term  | 6.83             | ACUITE BB / Stable (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 | 8.17 (Revised from 7.50)    | ACUITE BB+/ Stable (Upgraded from ACUITE BB) |
| Term Loan              | Not Applicable   | Not Applicable | Not Applicable | 3.56                        | ACUITE BB+/ Stable (Upgraded from ACUITE BB) |
| Proposed Term Loan     | Not Applicable   | Not Applicable | Not Applicable | 3.27                        | ACUITE BB+/ Stable (Upgraded from ACUITE BB) |

### Contacts

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**About Acuite Ratings & Research:**

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