

## 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 (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**

Acuité 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

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-67141160 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Ayushi Rathore Analyst - Rating Operations Tel: 022-49294062 <a href="mailto:ayushi.rathore@acuite.in">ayushi.rathore@acuite.in</a>	

**About Acuité Ratings & Research:**

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.