

Press Release

Eastern Cargo Carriers (India) Private Limited

September 21, 2020



Rating Upgrade

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

* Refer Annexure for details

Rating Rationale

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

Revision in Rating

The rating is upgraded on account of improvement in scale of operations and profitability of the company resulting in a comfortable financial risk profile. The revenue of the company is growing at a compounded annual growth rate of ~13.00 percent since 2018. The operating income of the company stood improved at Rs.163.46 crore in FY2020 (Provisional) as against Rs.161.62 crore in FY2019. Also, the company operating margins stood improved at 2.91 percent in FY2020 (Provisional) as against 2.25 percent in FY2019. However, PAT margins stood declined at 0.93 percent in FY2020 (Provisional) as against 1.90 percent in FY2019 due to higher tax outgo for the current year. Further, the company has registered revenue of Rs.92.00 crore in 7MFY2021, as its customer base majorly consists of pharma industries which is performing well at present during the pandemic. The rating also factors in the improvement in liquidity profile of the company along with comfortable working capital cycle marked by Gross Current Assets (GCA) days of 76 days in FY2020 (Provisional) as against 68 days in FY2019. Acuité believes going ahead the company is likely to sustain the growth in revenues and profitability margins over the medium term.

About Company

Mumbai based ECPL, was incorporated in the year 1992. The company is promoted by Mr. Alok Seth and Mr. Lalitkumar Seth. The company is engaged in freight forwarding, clearing and logistics services. The company is registered with IATA (International Air Transport Association), WCA (World Cargo Alliance), WCA Pharma, FIATA (International Federation of Freight Forwarders Associations) among others. The company has its headquarters at Mumbai with branches at New Delhi, Kolkatta, Indore, Ahmedabad, Hyderabad, Bengaluru and Chennai.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established track record of operations and reputed clients:**

ECPL has established the presence of over two decades in freight forwarding, clearing and logistics services. The company is promoted by Mr. Alok Seth and Mr. Lalitkumar Seth and possess over 2 decades of experience in the industry. The extensive experience of the promoters and the established presence of the company has helped in maintaining healthy relations with reputed customers like Mylan, Glenmark, Lupin, and Tata Motors Limited among others which contributes to around 60 percent of its total revenues. The company is well supported by the second line of management. Acuité believes that the company will benefit from its experienced management, long-standing relations with customers and suppliers over the medium term.

• **Comfortable financial risk profile**

The company's comfortable financial risk profile is marked by moderate net worth, low gearing (debt-equity) and healthy debt protection metrics. The tangible net worth of the company stood at Rs.19.83 crore as on 31 March, 2020 (Provisional) as compared to Rs.18.43 crore as on 31 March, 2019. The total debt of Rs.12.87 crore as on 31 March, 2020 (Provisional) consist of long term borrowings of Rs.2.76 crore and short term borrowing of Rs.10.12 crore. The gearing (debt-equity) stood low at 0.65 times as on 31 March, 2020 (Provisional) as compared to 0.70 times as on 31 March, 2019. The Interest Coverage Ratio stood healthy at 5.69 times for FY2020 (provisional) as against 4.81 times for FY2019. Total Outside Liabilities/Total Net Worth (TOL/TNW) stood same at 1.50 times as on 31 March, 2020 (Provisional) as well as on 31 March, 2019. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.17 times for FY2020 (Provisional). Debt Service Coverage Ratio (DSCR) stood at 1.58 times in FY2020 (Provisional) as against 2.04 times in FY2019. Acuité believes that the financial risk profile of ECPL will continue to remain comfortable over the medium term on account of conservative financial policy and absence of any major debt-funded capital expenditure.

• **Comfortable working capital cycle**

The company has a comfortable working capital cycle marked by Gross Current Assets (GCA) days of 76 days in FY2020 (Provisional) and 68 days in FY2019. The receivable days stood at 57 days in FY2020 (Provisional) as against 55 days in FY2019. The inventory days stood low at 1 day in FY2020 (Provisional) as well as in FY2019 because of the nature of the business. The creditor days stood at 35 days in FY2020 (Provisional) as against 33 days in FY2019. The average bank limit utilisation stood low at ~33.00 percent for the past eight months ending August 2020. Acuité believes that efficient working capital management will be crucial to the company in order to maintain a healthy risk profile.

Weaknesses

• **Customer concentration risk**

The company faces a customer concentration risk. The major customer of the company is Mylan Lab Limited which accounts for more than 50 percent of its revenues in the last three years for the period ended FY2020. The high customer concentration renders the revenue growth and profitability susceptible to the growth plans, procurement and credit policies of its key customers. However, reputed clientele and recurring flow of orders from key customers reduce concentration and counter party risk to a certain extent.

• **Highly competitive industry**

ECPL operates in a highly competitive and fragmented industry wherein a large number of players are present in the unorganised sector. It faces competition from organised as well as unorganised sector in the industry. This restricts margins and growth remain susceptible to cyclical in the industry like Air, Water and road transport which is impacted by current pandemic.

Rating Sensitivities

- Sustaining existing scale of operations while maintaining profitability.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity Position: Adequate

ECPL has an adequate liquidity position marked by healthy net cash accruals to its maturing debt obligations. ECPL generated cash accruals of Rs.1.00-3.80 crore during the last three years through 2018-20, while its maturing debt obligations were in the range of Rs.0.50-1.20 crore over the same period. The working capital cycle of the company is moderate, marked by Gross Current Assets (GCA) days of 57 days in FY2020 (Provisional) and 55 days in FY2019. The average bank limit utilisation stood at ~33.00 percent for the past eight months ending August 2020. ECPL maintained unencumbered cash and bank balances of Rs.0.89 crore as on March 31, 2020 (Provisional). The current ratio of ECPL stood moderate

at 1.28 times as on March 31, 2020 (Provisional). Acuité believes that the liquidity of ECPL is likely to remain adequate over the medium term.

Outlook: Stable

Acuité believes that ECPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the company registers more than expected growth in revenues while sustaining the profitability. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in working capital, leading to deterioration in the financial risk profile of the company.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	163.46	161.62
PAT	Rs. Cr.	1.51	3.07
PAT Margin	(%)	0.93	1.90
Total Debt/Tangible Net Worth	Times	0.65	0.70
PBDIT/Interest	Times	5.69	4.81

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

Not Applicable

Any other information

None.

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-June-2019	Cash Credit	Long Term	8.17	ACUITE BB+/Stable (Upgraded)
	Term Loan	Long Term	3.56	ACUITE BB+/Stable (Upgraded)
	Proposed Term Loan	Long Term	3.27	ACUITE BB+/Stable (Upgraded)
06-April-2018	Cash Credit	Long Term	7.50	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	5.00	ACUITE BB/Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	2.55	ACUITE BB/Stable (Reaffirmed)
03-Mar-2017	Cash Credit	Long Term	7.50	ACUITE BB/Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	0.67	ACUITE BB/Stable (Reaffirmed)
	Proposed Term Loan	Long Term	6.83	ACUITE BB/Stable (Reaffirmed)

***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	ACUITE BBB-/Stable (Upgraded from ACUITE BB+/Stable)
Term Loan	Not Available	Not Applicable	Not Available	2.75	ACUITE BBB-/Stable (Upgraded from ACUITE BB+/Stable)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	4.08	ACUITE BBB-/Stable (Upgraded from ACUITE BB+/Stable)

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About Acuité Ratings & Research:

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