

### Yeoman Marine Services Private Limited: Upgraded

Facilities	Amount (Rs Crore)	Ratings/Outlook
Proposed Cash Credit	8.00	SMERA BB+/Stable (Upgraded from SMERA BB/Stable)
Proposed Bank Guarantee	9.00	SMERA A4+ (Reaffirmed)
Proposed Fund Based/Non Fund Based	3.00	SMERA BB+/Stable/SMERA A4+ (Upgraded)

SMERA has upgraded the abovementioned long term rating to **'SMERA BB+' (read as SMERA double B plus)** from 'SMERA BB' and reaffirmed the short term rating of **'SMERA A4+' (read as SMERA A four plus)** on the Rs.20.00 crore bank facilities of Yeoman Marine Services Private Limited (YMSPL). The outlook is **'Stable'**.

The upgrade reflects improvement in the company's financial risk profile, healthy revenue growth and improvement in margins. The ratings continue to draw comfort from the experienced management, reputed clientele, healthy profit margins and moderate financial risk profile. However, the ratings are constrained by the company's susceptibility to unevenness in revenues and working capital-intensive operations.

#### Update

YMSPL was incorporated in September 2015 to take over the existing business of Yeoman Marine Services (YMS) with effect from 31 October 2015. Revenues of the company increased from Rs.12.30 crore in FY2013-14 to Rs.19.93 crore in FY2014-15. Further, as per provisional financials for FY2015-16, revenues have increased to Rs.27.81 crore. However, the ratings factor in the tender-based nature of business which is susceptible to an uneven revenue stream and margins. The EBITDA margins marginally declined to 11.95 per cent in FY2014-15 from 12.38 per cent in FY2013-14. As per provisional financials, EBITDA margins stands at ~19 per cent in FY2015-16. YMSPL has a healthy financial risk profile as reflected in the gearing of 1.05 times as on March 31, 2016 from 1.89 times as on March 31, 2015. The interest coverage ratio stands at 3.10 times in FY2015-16.

YMSPL's operations are working capital-intensive on account of stretched collection period of 150 – 180 days. However, the average working capital utilisation has been comfortable and is around 68 per cent for six months ended May 2016.

#### Rating Sensitivity Factors

- Scaling up operations while maintaining operating margins
- Efficient working capital management

#### Outlook-Stable

SMERA believes YMSPL will maintain a stable outlook over the medium term owing to its established operations and experienced management. The outlook may be revised to 'Positive' in case the company registers higher-than-expected revenues and cash accruals while achieving improvement in working capital management. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected revenues, profitability or net cash accruals or in case of stretch in the working capital cycle.

**Criteria applied to arrive at the ratings:**

- Manufacturing Entities

**About the Company**

YMSPL was incorporated in September 2015 to takeover the existing business of YMS with effect from 31 October 2015. YMS was established in 1999 as a proprietorship concern by Mr. Dhananjay Mishra. The company was engaged in the repairing of ships, distribution of marine equipment and accessories at its four workshops at Nerul, Sewri, Karwar and Vizag.

In FY2014-15, YMS reported profit after tax (PAT) of Rs.0.99 crore on operating income of Rs.19.93 crore, as compared to PAT of Rs.0.62 crore on operating income of Rs.12.30 crore in the previous year.

**Rating History (YMS)**

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
20 March, 2015	Cash Credit (proposed)	10.00*	SMERA BB	-	Stable
	Bank Guarantee (proposed)	10.00#	-	SMERA A4+	-

\*To include Letter of Credit as a sublimit to the extent of Rs.2.00 crore

#To include Bank Guarantee (Foreign) as a sublimit to the extent of Rs.2.00 crore

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