

Press Release

Yeoman Marine Services Private Limited (YMSPL)

22 September, 2017



Rating Reaffirmed

| | |
|-------------------------------------|-------------------------------|
| Total Bank Facilities Rated* | Rs.20.00 Cr |
| Long Term Rating | SMERA BB+/Stable (Reaffirmed) |
| Short Term Rating | SMERA A4+ (Reaffirmed) |

*Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating at '**SMERA BB+**' (read as **SMERA double B plus**) and short term rating at '**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**'.

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

List of Key Rating Drivers and their detailed description

Strengths:

Experienced management - Mr. Dhananjay Mishra (Director), is a Marine engineer by qualification, having ~20 years of experience in the marine industry and has been able to build healthy relationships with customers and suppliers.

SMERA believes that YMSPL will continue to benefit from its established position in the market and experienced management.

Moderate financial risk profile - The financial risk profile of YMSPL is moderate marked by tangible networth of Rs.10.32 crore as on 31 March, 2017 as against Rs.7.82 crore as on 31 March, 2016. The gearing stood at 0.77 times as on 31 March, 2017 as against 1.21 times in the previous year. The total debt of Rs.7.90 crore includes interest free unsecured loans of Rs.1.50 crore, term loan of Rs.3.07 crore and working capital funding of Rs.3.33 crore. YMSPL has availed of term and business loans to fund its working capital requirements. The interest coverage ratio stood at 3.31 times in FY2016-17 as against 3.08 times in FY2015-16. YMSPL, with plans to set up a dry dock has bid for tender from Bombay Port Trust. The project of Rs.36.00 crore is expected to be funded in the debt equity ratio of 3:1. However, the project is at a preliminary stage as space for the dry dock is yet to be allocated under the tender.

SMERA believes that YMSPL will continue to maintain a moderate financial risk profile on the back of its promoter's funding support and expected debt funded capex.

Weaknesses

Moderate scale of operations and susceptibility of profit margins to changes in the revenue mix

YMSPL generates revenue from sales of spares and also labour charges from repairing of ships. The company operates at a moderate scale with revenue of Rs.37.67 crore in FY2016-17 over Rs.27.44 crore in FY2015-16. As on July 2017, the company has unbilled orders of Rs.30.93 crore. In FY2016-17, contribution of labour charges to total revenue stood at 67.54 per cent as against 80 per cent in FY2015-16. The profitability is susceptible to changes in the revenue mix. The EBITDA margins declined to 13.63 per cent in FY2016-17 from 19.40 per cent in FY2015-16 due to decline in labour charges.

SMERA believes that YMSPL's margins will continue to remain uneven due to changes in the revenue mix and tender based nature of business.

Working capital intensive operations: YMSPL's operations are working capital intensive marked by high GCA days of 225 in FY2016-17. Since YMSPL caters to the government sector, the collection days are in the range of 150 – 180 days during the period under study. The average working capital utilisation has been comfortable at around 61.90 per cent for six months ended July 2017.

SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Analytical approach: SMERA has considered the standalone business and financial risk profile of YMSPL to arrive at the rating.

Outlook – Stable

SMERA believes that YMSPL will maintain a stable outlook and continue to benefit over the medium term on account of its established presence in the ship repair industry and experienced management. The outlook may be revised to 'Positive' in case of higher-than-expected revenues and cash accruals while demonstrating improvement in the working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenue or profitability, net cash accruals leading to significant stretch in the company's working capital cycle or higher than expected debt funded capex.

About the Rated Entity – Key Financials

For FY2016-17, YMSPL registered profit after tax (PAT) of Rs.2.50 crore on operating income of Rs.37.67 crore as against PAT of Rs.2.33 crore on operating income of Rs.27.44 crore in the previous year. The net worth stood at Rs.10.32 crore as on 31 March, 2017 compared to Rs.7.82 crore as on 31 March, 2016.

Applicable Criteria

- Services Sector - <https://www.smera.in/criteria-services.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument:

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

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating History (Upto last three years):

| Date | Name of Instrument/ Facilities | Term | Amount Rs. Crore) | Ratings/Outlook |
|------------------------------|---------------------------------------|------------|----------------------|--|
| 26 July, 2016 | Proposed Cash Credit | Long Term | 8.00 | SMERA BB+/Stable (Upgraded from SMERA BB/Stable) |
| | Proposed Bank Guarantee | Short Term | 9.00 | SMERA A4+ (Reaffirmed) |
| | Proposed Fund based/Non Fund based | Short Term | 3.00 | SMERA BB+/Stable/SMERA A4+ (Upgraded) |
| 20 Mar, 2015 [#] | Proposed Cash Credit | Long Term | 10.00 | SMERA BB/Stable (Assigned) |
| | Proposed Bank Guarantee | Short Term | 10.00 | SMERA A4+ (Assigned) |

#rating of YMS

***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 | N.A. | N.A. | N.A. | 8.00 | SMERA BB+/Stable (Reaffirmed) |
| Overdraft | N.A. | N.A. | N.A. | 2.00 | SMERA BB+/Stable (Reaffirmed) |
| Term Loans | N.A. | N.A. | N.A. | 1.00 | SMERA BB+/Stable (Reaffirmed) |
| Bank Guarantee | N.A. | N.A. | N.A. | 9.00 | SMERA A4+ (Reaffirmed) |

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ABOUT SMERA

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