

Press Release

KNK SHIP MANAGEMENT

22 March, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 50.00 crore bank facilities of KNK SHIP MANAGEMENT (KNK). The outlook is '**Stable**'.

KNK, a Mumbai-based partnership firm was established in 2015 by Mr. Capt. Naresh Kalra, Mrs. Prabhat Shobha Kalra, Mr. Devesh Kalra and others. The firm began operations as a proprietorship firm in 1989. Led by Capt. Naresh Kalra, the firm provides ship management services such as time charter, manpower and recruitment, delivery and voyage, salvage and towing among others. KNK is a certified marine recruiting agent.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The firm was established as a partnership firm in 2015 by Mr. Capt. Naresh Kalra and others. The day-to-day operations are led by him. Capt. Naresh Kalra has a Masters in International Shipping and Transport from University of Cardiff (UK) and has worked as a Marine Superintendent for 35 years. The management of the firm has more than three decades of experience in the marine industry with a team of experts. SMERA believes that KNK will sustain its existing business profile on the back of its experienced management and established track record in the marine industry.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by net worth of Rs. 14.91 crore as on 31 March, 2017 as against Rs.8.53 crore as on 31 March, 2016. The gearing stood at 1.91 times as on 31 March, 2017 as against 0.67 times as on 31 March, 2016. The total debt of Rs.28.43 crore outstanding as on 31 March, 2017 comprises Rs. 22.40 crore of term loan from bank, unsecured loan of Rs. 5.88 crore from promoters and short term debt of Rs. 0.15 crore. The Interest Coverage ratio stood healthy at 8.64 times in FY2017 as against 8.30 times in FY2016. The Net Cash Accruals stood at Rs.11.21 crore in FY2017 as against Rs. 3.41 crore in FY2016. The NCA/TD stood at 0.39 times in FY2017 as against 0.60 times in FY2016. SMERA believes that KNK will maintain its financial risk profile on the back of healthy net cash accruals over the near to medium term.

- **Long term agreements with reputed customer base**

KNK has agreement for a period of 10 years with reputed customers such as the Adani Group, Jsw Jaigrah Port, Arya Offshore Services, Cairn India Ltd and Kandla Port Trust to name a few.

Weaknesses

- **Susceptibility of operating performance to optimum utilisation of vessels and debt funded capex plan**

KNK has debt funded capex plan of Rs. 50 crore for purchase of additional vessels in April 2018 to be funded by term loan from the bank. KNK's ability to optimally utilise the additional vessels and generate adequate cash accruals commensurate with the debt servicing commitments will be critical. Any challenges

faced in attaining optimal utilisation will impact the estimated cash flows and debt protection indicators. The revenues have remained uneven during the period FY2015 to FY2017. The operating income stood at Rs. 47.72 crore in FY2017 as against Rs. 15.56 crore in FY2016 and Rs. 29.65 crore in FY2015. SMERA believes that the ability of KNK to optimally utilise its vessels to generate adequate accruals to repay its future debt obligations will be critical.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of KNK to arrive at the rating.

Outlook: Stable

SMERA believes that KNK will maintain a stable outlook in the medium term on account of its experienced management and established position in the marine industry. The outlook may be revised to 'Positive' in case the firm registers substantial growth in scale of operations while achieving healthy profit margins and comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	47.72	15.56	29.65
EBITDA	Rs. Cr.	12.58	3.84	6.30
PAT	Rs. Cr.	5.42	2.27	3.57
EBITDA Margin	(%)	26.35	24.70	21.24
PAT Margin	(%)	11.36	14.61	12.04
ROCE	(%)	23.93	17.93	51.66
Total Debt/Tangible Net Worth	Times	1.91	0.67	1.82
PBDIT/Interest	Times	8.64	8.30	10.50
Total Debt/PBDIT	Times	2.24	1.47	1.54
Gross Current Assets (Days)	Days	98	331	170

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Entities In Services Sector - <https://www.smera.in/criteria-services.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	50.00	SMERA BB / Stable

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