Press Release

Mandovi Drydocks

December 04, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 16.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' **(read as ACUITE double B)** and short term rating of **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs. 16.00 crore bank facilities of Mandovi Drydocks. The outlook is **'Stable'**.

Established in 1993, Mandovi Drydocks (MD) is Goa based proprietary concern promoted by Mr. Prabhakar Sawant. MD is engaged in design, construction, repair of steel ships and other floating structures.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**
  Mandovi Drydocks (MD) was established in 1993 by Mr. Prabhakar Sawant. The proprietor has more than two decades of experience in the shipbuilding business. This has helped MD in building healthy relationship with customers and suppliers over the years. Acuité believes that MD will continue to benefit from its management's experience.

- **Healthy order book position**
  MD has recorded operating income of Rs.75.23 crore for FY2018 (Provisional) as against Rs.75.30 crore for FY2017 as against Rs. 44.01 crore for FY2016. The revenue growth in FY2017 is driven by increase in MD's labor contracts outside of Goan territory after FY2015. Further, in FY2019 MD has recorded revenue of Rs. 75.00 crore till August 2018 and has orders in hand of Rs. 101.24 crore which gives future visibility of revenue in the medium term.

- **Moderate financial risk profile**
  The financial risk profile of MD is moderate marked by tangible net worth of Rs.25.66 crore as on 31 March, 2018 (Provisional) as compared to Rs. 23.35 crore in FY2017. The gearing remained healthy at 0.50 times as on 31 March, 2018 (Provisional) as compared to 0.37 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood healthy at 1.80 times as on 31 March, 2018 as against 2.06 times as on 31 March, 2017. The total debt of Rs.12.90 crore outstanding as on 31 March, 2018 (Provisional) consists of term loan from bank of Rs. 4.53 crore and working capital borrowing from the bank of Rs. 8.37 crore. Interest Coverage Ratio stood at 3.60 times in FY2018 (Provisional) as against 4.13 times in FY2017. The net cash accruals have remained stable at Rs.4.14 crore in FY2018 (Provisional) as compared to Rs. 4.12 crore in FY2017. Acuité believes that MD will maintain its financial risk profile backed by healthy accruals over the near to medium term.

Weaknesses

- **Working capital intensive nature of operations**
  The operations of MD are working capital intensive, marked by GCA days of 252 for FY2018 (Provisional) as against 247 days for FY2017. This is mainly on account of accumulation of debtors

marked by receivables period of 125 days in FY2018 (Provisional) as against only 51 days in FY2017. Inventory days have reduced to 97 in FY2018 (Provisional) as against 190 days in FY2017. Average utilization of working capital borrowing from the bank stood at ~90.00 percent for month ending August 2018.

- **Intense competition**

MD faces intense competition across industry from organized as well as unorganized players. Further, companies operating in this space not only face competition from the domestic players but also from international ship building companies, putting pricing pressure on MD.

Outlook: Stable

Acuité believes that MD will continue to benefit over the medium term on account of its established presence in the ship building and repair industry and experienced management. The outlook may be revised to 'Positive' in case the company registers 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 MD's business risk profile weakens resulting in lesser than expected revenues or profitability and lower-than- expected net cash accruals leading to significant stretch in MD's working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	75.23	75.30	44.01
EBITDA	Rs. Cr.	5.73	5.54	3.55
PAT	Rs. Cr.	3.45	3.39	1.23
EBITDA Margin	(%)	7.62	7.36	8.06
PAT Margin	(%)	4.58	4.50	2.80
ROCE	(%)	14.30	15.01	9.99
Total Debt/Tangible Net Worth	Times	0.50	0.37	0.47
PBDIT/Interest	Times	3.60	4.13	2.03
Total Debt/PBDIT	Times	2.25	1.58	2.83
Gross Current Assets (Days)	Days	252	247	600

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
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.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)

Not Applicable

***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	10.00	ACUITE BB / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4+

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About Acuité Ratings & Research:
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