

Press Release

Eastern Navigation Private Limited

June 03, 2021



Rating Assigned

| | |
|-------------------------------------|---------------------------------|
| Total Bank Facilities Rated* | Rs. 43.35 Cr. |
| Long Term Rating | ACUITÉ BBB/Stable (Assigned) |
| Short Term Rating | ACUITÉ A3+ (Assigned) |

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB**' (**read as ACUITE BBB**) and short term rating of '**ACUITE A3+**' (**read as ACUITE A three plus**) on the Rs 43.35 crore bank facilities of Eastern Navigation Private Limited (ENPL). The outlook is '**Stable**'.

The ratings reflect healthy business profile of the group supported by its long operational track record and healthy order book size. Moreover the group has a diversified customer base which includes reputed construction, logistics, and petrochemical companies. The ratings also factor the group's comfortable financial risk profile marked by its conservative capital structure and strong coverage ratios. These rating strengths are partially offset by the group's working capital intensive nature of operations.

Eastern Navigation Private Limited (ENPL) was incorporated in 1957 by Kolkata based Singhee family. The company provides various kinds of marine services such as transportation of critical cargos, marine logistics support to various construction companies, etc. Currently the company is managed by Mr Yaswant Singhee.

Reach Asia is a partnership which is established by Mr Yaswant Singhee and Mr Basant Kumar Singhee. The firm is engaged in manufacturing of barge and different kinds of vessels in Howrah, West Bengal. Reach Asia primarily caters to the needs of ENPL.

Analytical Approach

Acuité has taken a consolidated view of Eastern Navigation Private Limited and Reach Asia as both the entities are in a similar line of business, share common management and have significant operational linkages between them. The group herein is referred to as Eastern Group. Extent of Consolidation: Full

Key Rating Drivers

Strengths

Established presence and healthy order book

The group has an established presence in stevedoring business as ENPL has almost 6 decades of operational track record. Moreover the group has long term relationships with reputed corporates such as L&T, ITD Cementation India Ltd, Reliance Industries Limited among others. In addition the group has a sizeable fleet of about 80 Vessels. Currently, the group has a healthy unexecuted order book of Rs 184 Cr which provides medium term revenue visibility. The group had witnessed an improvement in scale of operation as reflected from its revenue of Rs 97.69 Cr in FY20 as against Rs 73.59 Cr in FY19. The scale of operation is expected to have remained at a similar level in FY21 as the group has recorded revenue of around Rs 92 Cr till February 2021. Acuite believes the scale of operation will improve in medium term backed by its healthy order book size.

Comfortable financial risk profile

The comfortable financial risk profile of the group is marked by its moderate net worth, low gearing ratio and strong debt protection metrics. The net worth stood at Rs.64.88 Cr as on 31st March 2020 as compared to Rs 56.61 Cr in the previous year. The gearing of the group stood comfortable at 0.83 times as on 31st March 2020 as against 0.95 times as on 31st March, 2019. The total debt of Rs. 53.74 Cr in FY2020 consists of Unsecured loan of Rs 21.47 Cr, Short term borrowing of Rs 15.35 Cr and Long term borrowing of Rs 16.92 Cr. TOL/TWN stood at 1.58 times in FY20 as against 1.60 times in FY19. The interest coverage ratio stood strong at 3.55 times as on 31st March, 2020 as against 2.65 times as on 31st March, 2019. DSCR of the group stood at 2.04 times in FY20 in comparison to 1.47 times in FY19. The improvement in coverage ratios is on account of rise in absolute EBITDA backed by increase in turnover level. The Net Cash accruals to Total Debt (NCA/TD) stood at 0.25 times in FY2020 as compared to 0.14 times in the previous year. Acuité believes the financial risk profile to remain comfortable over the medium term backed by steady accruals and absence of any large debt funded capex plan.

Healthy profitability margins

The group has healthy profitability margins both at the operating and net level. The operating margin of the group stood at 22.89 percent in FY20 as compared to 22.27 percent in FY19. Moreover, the profit after tax (PAT) margins of the group stood at 7.38 percent in FY20 as against 5.17 percent in the preceding year. The group has posted an EBITDA margin of about 23 percent during 11MFY21 (Provisional). Acuité believes that the group will maintain healthy profit margins over the medium term as major portion of orders are related to supply of vessels where margins are high in comparison to other orders.

Weaknesses

Working capital intensive

The group has high working capital intensity as evident from its high gross current asset (GCA) days of 277 days in FY'20 as 307 days in the previous year. The high GCA days are due to high debtor days of around 152 days in FY20 as against 162 days in FY19. Reason for high debtor level is stretched receivables from reputed corporates who have strong negotiation power. The inventory days stood at 73 days in FY20 as against 103 days in FY19. Acuité believes that the operations of the group will continue to be working capital intensive because of stretched receivables.

Rating Sensitivity

- Sustenance in revenue growth
- Continuous order flow

Material Covenant

None

Liquidity Profile: Adequate

The group has an adequate liquidity profile as the net cash accrual stood at Rs 13.25 Cr in FY20 as against debt repayment of Rs. 6.12 Cr. Going forward, the net cash accruals are expected to be in the range of Rs 14-17 Cr as against loan repayments of around Rs.3 Cr from FY21-FY23. The net cash flow from operation stood comfortable at Rs 13.56 Cr in FY20 as against Rs 7.68 Cr in FY19. Current ratio stood at 1.38 times in FY 20. In addition, the working capital utilization stood comfortable at 89 percent during last 6 months ended April 2021. However the group has high working capital requirement as GCA days stood at 277 days in FY20. Acuite believes liquidity profile will remain adequate in medium term backed by absence of large debt led capex plan and healthy net cash accrual.

Outlook: Stable

Acuité believes the outlook on group will remain 'Stable' over the medium term backed by its long operational track record and strong customer base. The outlook may be revised to 'Positive' if the group is able to scale up its operations along with sustenance in the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in profitability margin or liquidity profile.

About the Rated Entity - Key Financials

Consolidated

| | Unit | FY20 (Actual) | FY19 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income | Rs. Cr. | 97.69 | 73.59 |
| PAT | Rs. Cr. | 7.21 | 3.81 |
| PAT Margin | (%) | 7.38 | 5.17 |
| Total Debt/Tangible Net Worth | Times | 0.83 | 0.95 |
| PBDIT/Interest | Times | 3.55 | 2.65 |

Standalone

| | Unit | FY20 (Actual) | FY19 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income | Rs. Cr. | 68.77 | 53.63 |
| PAT | Rs. Cr. | 6.24 | 3.20 |
| PAT Margin | (%) | 9.07 | 5.97 |
| Total Debt/Tangible Net Worth | Times | 0.65 | 0.80 |
| PBDIT/Interest | Times | 3.96 | 3.09 |

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

ENPL is listed under the 'Non Co-operation by the issuer' category by CARE Ratings due to inadequate information provided by the company.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

NA

*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue | Ratings/Outlook |
|------------------------------------|------------------|----------------|----------------|-------------------|------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 1.75 | ACUITE BBB/Stable (Assigned) |
| Cash Credit(Against Fixed Deposit) | Not Applicable | Not Applicable | Not Applicable | 4.60 | ACUITE BBB/Stable (Assigned) |
| Term Loan | 23-11-2016 | Not Available | 30 March 2023 | 1.60 | ACUITE BBB/Stable (Assigned) |
| Term Loan | 17-10-2020 | Not Available | 31 July 2024 | 1.70 | ACUITE BBB/Stable (Assigned) |

| | | | | | |
|--------------------|----------------|----------------|----------------|-------|------------------------------|
| Proposed Term Loan | Not Applicable | Not Applicable | Not Applicable | 18.70 | ACUITE BBB/Stable (Assigned) |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 15 | ACUITE A3+ (Assigned) |

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About Acuité Ratings & Research:

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