

## Press Release

### Eastern Navigation Private Limited

September 01, 2022



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	-	ACUITE A3+   Reaffirmed
Bank Loan Ratings	28.35	ACUITE BBB   Stable   Reaffirmed	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	43.35	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

### Rating Rationale

Acuite has reaffirmed 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 continue to reflect healthy business profile of the group supported by its long operational track record and diversified customer base which includes reputed entities in various segments such as construction, logistics, petrochemical etc. The group has successfully sustained its healthy profit margin because of high entry barrier for new entrants due to group's strong expertise in stevedoring and dredging activities. The ratings also factor in 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 because of stretched receivables.

### About the Company

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.

### About the Group

Reach Asia is a partnership firm 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

Acuite 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**

#### **Sound business profile**

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 100 Vessels. The current management has almost three decades of experience.

The group has a healthy unexecuted order book of Rs 181 Cr which provides medium term revenue visibility. The outstanding order book consists of majority of orders that are repetitive in nature. Further all the orders are issued by reputed corporates and central government undertakings which indicates low counterparty risk.

The scale of operations of the group has improved to Rs 96.93 Cr in FY22(Provisional) from Rs 89.53 Cr in FY21. The scale of operation is expected to remain flattish in FY23 as the group has recorded revenue of around Rs 25 Cr till June 2022 (Prov).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.95.91 Cr as on 31st March 2022(Provisional) as compared to Rs 74.69 Cr in the previous year. The gearing of the group stood comfortable at 0.42 times as on 31st March 2022(Provisional) as against 0.64 times as on 31st March 2021.The group has low reliance on external debt as reflected from its low utilization of fund-based limit. TOL/TWN stood at 1.01 times in FY22(Provisional) as against 1.32 times in FY21. The interest coverage ratio stood strong at 4.78 times as on 31st March 2022(Provisional) as against 3.99 times as on 31st March 2021.DSCR of the group stood at 1.85 times in FY22(Provisional) in comparison to 1.77 times in FY21. 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 0.44 times in FY2022(Provisional) as compared to 0.32 times in the previous year. Acuite 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 27.12 percent in FY22(Provisional) as compared to 24.44 percent in FY21.Moreover, the profit after tax (PAT) margins of the group stood at 11.05 percent in FY22(Provisional) as against 10.14 percent in the preceding year. The profitability margin depends on the company's selection of projects being bid for. The group has posted an EBITDA margin of about 27 percent during Q1FY23(Provisional). Acuite 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 324 days in FY'22 as against 279 days in the previous year. The high GCA days are due to high debtor days of around 174 days in FY22(Provisional) as against 188 days in FY21.Reason for high debtor level is stretched receivables from reputed corporates who have strong negotiation power. The inventory days stood at 41 days in FY22(Provisional) as against 43 days in FY21. Acuite believes that the operations of the group will continue to be working capital

intensive because of stretched receivables.

### Rating Sensitivities

- Ramp up in the scale of operation while maintaining healthy profit margin
- Any deterioration in liquidity profile because of stretched receivables

### Material covenants

None

### Liquidity profile: Adequate

The group has an adequate liquidity profile as the net cash accrual stood at Rs 17.86 Cr in FY22(Provisional) as against debt repayment of Rs. 6.34 Cr. Going forward, the net cash accruals are expected to be in the range of Rs 18-20 Cr as against loan repayments of around Rs.7 Cr from FY23-FY23. The group has high cash & bank balance which stood at Rs 15.77 Cr as on 31.03.2022. Current ratio stood at 1.42 times in FY 22(Provisional). In addition, the working capital utilization stood comfortable at 79 percent during last 6 months ended June 2022. However, the group has high working capital requirement as GCA days stood at 324 days in FY22(Provisional). 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

Acuite 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.

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	96.93	89.53
PAT	Rs. Cr.	10.71	9.08
PAT Margin	(%)	11.05	10.14
Total Debt/Tangible Net Worth	Times	0.42	0.64
PBDIT/Interest	Times	4.78	3.99

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

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

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

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Jun 2021	Proposed Term Loan	Long Term	18.70	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	1.70	ACUITE BBB   Stable (Assigned)
	Term Loan	Long Term	1.60	ACUITE BBB   Stable (Assigned)
	Bank Guarantee	Short Term	15.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	1.75	ACUITE BBB   Stable (Assigned)
	Cash Credit	Long Term	4.60	ACUITE BBB   Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indian Overseas Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	13.25	ACUITE A3+   Reaffirmed
Indian Overseas Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.75	ACUITE A3+   Reaffirmed
Indian Overseas Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.75	ACUITE BBB   Stable   Reaffirmed
Indian Overseas Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.60	ACUITE BBB   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BBB   Stable   Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	17-10-2020	7.85	30-10-2026	2.37	ACUITE BBB   Stable   Reaffirmed
Indian Overseas Bank	Not Applicable	Term Loan	16-12-2017	11.85	30-12-2027	8.63	ACUITE BBB   Stable   Reaffirmed

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### About Acuité Ratings & Research

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