



Press Release
Eastern Navigation Private Limited
November 21, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	34.12	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	9.23	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	43.35	-	-

Rating Rationale

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

Rationale for Reaffirmation

The rating takes into cognizance the sound business risk profile of the group majorly driven by diversified revenue streams and a well-established customer base operating in various segments such as construction, logistics, petrochemical etc. The rating also factors in the stable business risk profile reflected by revenue from operations of the group which stood at Rs.102.12 Cr. in FY2023 compared to Rs. 95.20 Cr. in FY2022 on account of healthy execution of its orders.

The rating also draws comfort from management's extensive experience and healthy financial position, characterized by a healthy net worth base and low gearing and comfortable debt protection metrics.

However, these strengths are partially offset by the group's moderation in profitability margins due to the drop in revenues from the ODC transport primarily influenced by the client's shipping schedule set for April 2024. The operating profit margin declined from 26.32% in FY2022 to 21.40% in FY2023. The rating is further constrained by intensive working capital management reflected by high Gross Current Asset (GCA) days.

About the Company

Founded in 1957 by the Singhee family based in Kolkata, Eastern Navigation Private Limited (ENPL) is under the directorship of Mr. Basant Kumar Singhee and Mr. Yaswant Kumar Singhee. ENPL stands as a prominent supplier of maritime support fleet services. At present, the company offers a diverse range of marine services, including comprehensive marine solutions for mid-stream construction, encompassing bridge and tower construction, dredging in both hard and soft river and coastal strata, handling and transportation of critical cargo through India's inland waterways, offshore and underwater projects, marine craft construction, and the provision of marine logistics support to various shipping lines and infrastructure firms.

About the Group

Reach Asia, an affiliated entity of ENPL, is a partnership firm that was established in 2000. This firm's primary focus lies in the production of barges and various marine vessels within Howrah, West Bengal. ENPL sources its vessels from Reach Asia, and the group is currently overseen by

Mr. Yaswant Singhee.

Unsupported Rating

Not Applicable

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**

With a nearly six-decade operational history, ENPL boasts a strong position in the stevedoring business. The group is under the capable management of Mr. Basant Kumar Singhee and Mr. Yaswant Kumar Singhee. Furthermore, the group has nurtured enduring partnerships with renowned corporations, including Larsen & Toubro Ltd, Afcons Infrastructure Ltd, Reliance Industries Limited, and more. Additionally, the group maintains a substantial fleet of approximately 100 vessels, and the current leadership brings nearly three decades of valuable experience to the table.

- **Healthy financial risk profile**

The group's financial risk profile is marked by healthy net worth, low gearing and comfortable debt protection metrics. The tangible net worth of the group stood at Rs.91.63 Cr as on March 31, 2023 as compared to Rs.84.00 Cr as on March 31, 2022 due to accretion to reserves. Furthermore, the gearing of the group stood low at 0.51 times as on 31 March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.05 times as on March 31, 2023. The debt protection matrices of the group remain comfortable marked by Interest coverage ratio (ICR) of 4.28 times and debt service coverage ratio (DSCR) of 1.62 times for FY2023. The net cash accruals to total debt (NCA/TD) stood healthy at 0.30 times in FY2023.

Going forward, Acuité believes that going forward the financial risk profile will remain healthy over the medium term, supported by healthy internal accrual generation.

- **Steady scale of operations; however, profitability witnessed moderation**

In FY2023, the group's revenue rose to Rs. 102.12 Cr, up from Rs. 95.20 Cr in FY2022. As of September 30, 2023, the group maintains a substantial unexecuted order book worth approximately Rs. 183.79 Cr, ensuring revenue visibility in the medium term. Additionally, by September 2023, the group had achieved revenues of Rs. 50.04 Cr.

ENPL provides diverse marine services, including Over Dimensional Cargo (ODC) transport, marine logistics support, Dredging-Spud Barges, underwater infrastructure maintenance, and jetty upkeep. Among these services, ODC transport demonstrates a higher operating margin ranging from 30% to 35%, while the Rental business maintains a profit margin of 18%-20%.

In fiscal year 2023, the revenue from ODC transport saw a slight decline, primarily influenced by the client's shipping schedule set for April 2024. This impacted the overall profitability margin, which decreased from 26.32% in FY2022 to 21.40% in FY2023. However, in the current fiscal year, the group has undertaken a larger share of the ODC transport segment, leading to an improved operating margin of 25.08% in H1 FY2024 for ENPL. Currently, the group holds ODC business orders amounting to approximately Rs 36-40 Cr, expected to be executed within the next 15-18 months. Consequently, the group expects a minimum revenue of Rs 15-20 Cr from ODC business in FY 2024, a significant increase compared to the Rs 6 Cr booked in FY

2023. This is expected to result in a substantial rise in margins, reverting to over 25% at the consolidated level in FY24.

Furthermore, the group's net profitability margin decreased to 7.56 percent in FY2023, down from 9.79 percent in FY2022. The ROCE levels stood at a comfortable level of about 11.66 per cent in FY2023 as against 14.46 per cent in FY2022.

Weaknesses

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the group is marked by high albeit Gross Current Assets (GCA) of 292 days for FY2023 as compared to 367 days for FY2022. The GCA days are mainly on account of high receivables days. The debtor days of the group stood at 145 days for FY2023 as against 206 days for FY2022. However, the inventory days of the group stood at 3 days in FY2023 as compared to 38 days in FY2022. Further, the GCA days of the group has also emanates from the high other current asset, which mainly consists of other loans and advances and other receivables and recoveries. Against this, the group has substantial dependence on its suppliers to support the working capital; creditors stood at 249 days as on March 31, 2023.

Acuité believes that the working capital operations of the group will remain at the similar levels over the medium term.

Rating Sensitivities

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

All Covenants

Not Applicable

Liquidity Position Adequate

The group has adequate liquidity marked by adequate net cash accruals of Rs.13.88 Cr. as on March 31, 2023 as against Rs.6.52 Cr. long term debt obligations over the same period. The current ratio of the group stood comfortable at 1.60 times in FY2023. The cash and bank balance stood at Rs. 20.51 Cr for FY 2023. Further, the bank limit of the group has been ~38.22 percent utilized for the last six months ended in September 2023. However, the working capital management of the group is moderate marked by high albeit Gross Current Assets (GCA) of 292 days for FY2023 as compared to 367 days for FY2022. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of comfortable cash accruals against long debt repayments over the medium term.

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.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	102.12	95.20
PAT	Rs. Cr.	7.72	9.32
PAT Margin	(%)	7.56	9.79
Total Debt/Tangible Net Worth	Times	0.51	0.57
PBDIT/Interest	Times	4.28	4.51

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

Not Applicable

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Sep 2022	Term Loan	Long Term	8.63	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	2.37	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	4.60	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	13.25	ACUITE A3+ (Reaffirmed)
	Proposed Term Loan	Long Term	11.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.75	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	1.75	ACUITE BBB Stable (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Yes Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3+ Reaffirmed
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.67	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	4.23	ACUITE A3+ Reaffirmed
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	23.45	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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