Acuite
RATINGS & RESEARCH

Press Release
Reach Asia
January 27, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE BBB | Stable | Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	12.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale
Acuite has reaffirmed its long term rating to **'ACUITE BBB' (read as ACUITE triple B)** on the bank facilities of Rs.12 Cr. of Reachasia. The outlook remains '**Stable'.**

Rationale for Rating
The rating reflects the sound business risk profile of the group supported by revenue diversification streams, healthy order book position, well established customer base and experienced management. The group's performance is marked by marginal improvement in operating income while maintaining the profitability margins at a healthy level. The operating income has marginally improved to Rs.109.25 Cr. in FY24 from Rs.102.12 Cr. in FY23. Further, the group achieved Rs.91.50 Cr. till November 2024. The muted growth depends upon the project timelines and selective orders undertaken by the group. EBITDA and PAT margins have also improved due to growth in operations. The financial risk profile is marked healthy by improving networth and comfortable capital structure. The liquidity profile has improved backed by steady and improved accruals, unencumbered fixed deposits, and comfortable current ratio. The rating is constrained by intensive working capital management reflected by high Gross Current Asset (GCA) days of 244 days in FY24 as against 309 days in FY23.

About the Company
ReachAsia, an affiliated entity of Eastern Navigation Private Limited, is a partnership firm that was established in 2000. This firm's primary focus lies in the production and maintenance 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.

About the Group
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.

Unsupported Rating
Not Applicable

Analytical Approach

Extent of Consolidation

• Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has taken a consolidated view of Eastern Navigation Private Limited and ReachAsia 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.

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 established healthy relationship with renowned customers including Larsen & Toubro Ltd, Adani Ports and SEZ ltd., Afcons Infrastructure Ltd, Reliance Industries Limited, Kolkata Port Trust and more. This reduces the counterparty risk. Additionally, the group maintains a substantial fleet of approximately 120 vessels, and the current leadership brings nearly three decades of valuable experience.

Steady scale of operations

The group has achieved operating income of Rs.109.25 Cr. in FY24 as against Rs.102.12 Cr. in FY23. Further, the group has achieved Rs.91.50 Cr. till November 2024. The muted growth in revenue depends upon the project timelines as well as selective orders undertaken. The total revenue is derived in a mix of 25% from Reachasia and 75% from ENPL. ENPL's revenue is generated 90-95% from three key verticals: infrastructure, port services, and logistics though the mix varies each year. There has also been an increase in regular charter work for port services over the past 4-5 years. The group has healthy unexecuted order book of Rs.190.28 Cr. as on 30th September 2024. This shows the revenue visibility over the medium term. Acuite believes that the scale of operations will marginally improve over the medium term supported by the revenue diversification and healthy order book position.

Healthy Financial Risk Profile

The group’s financial risk profile is marked healthy by improving net worth and comfortable capital structure. The tangible net worth of the group stood at Rs.104.30 Cr. as on March 31, 2024, as against Rs.91.63 Cr. as on March 31, 2023 due to accretion to reserves. The capital of Reachasia has decreased by Rs. 1.69 Crore due to the withdrawal of capital by one of its partners, Mr. Basant Kumar Singhee. Furthermore, the gearing of the group improved to 0.31 times as on March 31, 2024 from 0.51 times as on 31 March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.79 times as on March 31, 2024. The debt protection matrices of the company remain comfortable marked by Interest coverage ratio (ICR) of 6.23 times and debt service coverage ratio (DSCR) of 1.17 times for FY2024. Acuite believes that the financial risk profile will remain on similar levels over the medium term backed by improving networth and comfortable capital structure.

Weaknesses

Volatile margins

The operating profitability of the group has remained volatile as reflected from EBITDA margin stood at 24.08 percent in FY24 as against 21.41 percent in FY23 and 26.32 percent in FY2022. ENPL provides diverse marine services, including Over Dimensional Cargo (ODC) transport, marine logistics support, Dredging-Spud Barges, underwater infrastructure maintenance, and jetty upkeep. Typically for the group ODC transport is a higher margin segment. So, in FY23 this segment saw a decline primarily influenced by customer shipping schedules leading to overall impact on profitability margin. In FY24 ODC segment contributed a larger revenue leading to better profitability for that year. Acuite notes that the margins of the group are susceptible to the nature and execution of order book and will remain a key monitorable over the medium term. This impacted the overall profitability margin. However, The PAT margin improved at 11.13 percent in FY24 as against 7.56 percent in FY23 largely because of reduced interest and depreciation cost during the year.

Intensive Working Capital Cycle

The working capital-intensive nature of operations of the group is marked by Gross Current Assets (GCA) of 244 days for FY24 as against 309 days for FY2023. The GCA days are mainly on account of high receivables days. The debtor days of the group stood at 152 days for FY2024 as against 145 days for FY2023. The credit terms with their regular customers are generally of 30-45 days for Reliance and Ports. The payments can be delayed by 15-20 days also. In infrastructure vertical, the payments are signed under 30 days but there are huge delays ranging from 4 months to 1 year. The payments are secured as the group are dealing with top notch dealers.
However, the inventory days of the group stood at 8 days in FY2024 as against 3 days in FY2023. ENPL operates mainly in services, generating revenue from rent, transportation, and maintenance, without maintaining physical inventory. With over 120 barges, the company leases them to various customers. In contrast, Reach Asia specializes in manufacturing marine equipment, fulfilling orders primarily for ENPL. This is reflected in ENPL’s fixed asset schedule, with a Rs. 4.41 Cr. addition in barges and vessels during FY 2024. ENPL’s inventory is nil, while Reach Asia’s inventory is Rs. 1.87 Cr, dependent on order stages as of March 31, 2024. Against this, the creditor days stood at 192 days in FY24 as against 249 days in FY23. Acuite believes that the working capital operations of the firm will remain at the similar levels over the medium term due to elongated receivables cycle.

Rating Sensitivities

- Movement in the scale of operations while maintaining healthy operating margins
- Collection of receivables

Liquidity Position

Adequate

The group has adequate liquidity marked by adequate net cash accruals of Rs.17.98 Cr. as on March 31, 2024, as against Rs.14.77 Cr. long term debt obligations over the same period. The current ratio stood comfortable at 1.52 times in FY24 as against 1.33 times in FY23. The cash and bank balance stood at Rs. 4.12 Cr. for FY 2024 as against Rs.20.51 Cr. for FY2023. The decrease is because of debt repayment and payment to creditors. Further, the bank limit of the group has been ~25.34 percent utilized for the last six months ended in September 2024. However, the working capital management of the group is moderate marked by high albeit Gross Current Assets (GCA) of 244 days for FY2024 as compared to 309 days for FY2023. Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of comfortable cash accruals, surplus cash, unencumbered fixed deposits and low reliance on short term borrowings.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	109.25	102.12
PAT	Rs. Cr.	12.16	7.72
PAT Margin	(%)	11.13	7.56
Total Debt/Tangible Net Worth	Times	0.31	0.51
PBDIT/Interest	Times	6.23	4.28

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

Any Other Information
None

Applicable Criteria
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
• Consolidation Of Companies: https://www.acuite.in/view-rating-criteria-60.htm
• Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
• Service Sector: https://www.acuite.in/view-rating-criteria-50.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. Acuite'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
21 Nov 2023	Proposed Cash Credit	Long Term	12.00	ACUITE BBB | Stable (Reaffirmed)
01 Sep 2022	Proposed Cash Credit	Long Term	12.00	ACUITE BBB | Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	12.00	Simple	ACUITE BBB | Stable | Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No.	Company name
1	Reachasia
2	Eastern Navigation Private Limited

Contacts

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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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