



Press Release
SADHAV OFFSHORE ENGINEERING PRIVATE LIMITED
July 25, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.73	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	9.37	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	22.10	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on Rs. 22.10 Cr. bank facilities of Sadhav Offshore Engineering Private Limited (SOEPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation derive strength from the established track record of operations of the company and extensive experience of the promoters in the Maritime industry. It further takes into consideration the improvement in operational and financial performance of the company. The operating income grew to Rs.68.76 Cr. in FY2024(Prov) from Rs.55.29 Cr. in FY2023 and Rs.38.78 Cr. in FY2022. The growth in operating income is on account of higher order executions during the year and is backed with increasing orders received by the company for ship repairs. The company has an outstanding order book position of Rs.59.37 Cr. as of July 2024, reflecting moderate revenue visibility over the near term.

Furthermore, the financial risk profile of the company improved though remained moderate in FY2024(Prov) marked by moderate net worth, gearing level and debt protection metrics. These strengths are partially offset by SOEPL's exposure to risks related to cyclicalality of the industry and customer concentration.

About the Company

Incorporated in 2022, Sadhav Offshore Engineering Private Limited is Mumbai based company. It is engaged in ship building and ship repair services. Currently Mr. Kamal Kant Biswanath Choudhury, Ms. Sadhana Choudhury and Mr. Devahuti Choudhury are the directors of the company.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Sadhav Offshore Engineering Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

Extensive experience of management and established track record of operations

SOEPL, based in Maharashtra, was incorporated in 1992 and has a long track record in the Maritime sector. The promoters, Mr. Kamalkant Coudhury, Mr. Sadhna Choudhury, and Ms. Devahuti Choudhury, have extensive experience in the industry. The company's operations are managed by the promoters with support from a well-experienced senior management team. SOEPL has built strong, long-term relationships with customers and suppliers, including Indian Coast Guard, Goa Shipyard, and Mazgaon Dock Shipbuilders Ltd. Acuité believes SOEPL will continue to benefit from its key customer and supplier relationships over the medium term.

Augmentation in business risk profile

The company has recorded strong growth in operating income of Rs. 55.29 Cr. in FY2023 from Rs. 38.78 Cr. in FY2022, marking a considerable growth of ~42.56%. The growth in operating income is on account of higher order executions during the year and is backed with increasing orders received by the company for ship repairs. Further, the company has recorded revenue of Rs.68.76 Cr. in FY2024(Prov.). The operating profit margins of the company have marginally moderated to 8.33% in FY2024 from 9.13% in FY2023 and 7.34% in FY2022. The company's order book position stood at ~Rs.59.37 Cr. as of July 2024, reflecting moderate revenue visibility in the near term.

Going ahead, margins are expected to improve as the company is increasing its focus on floating dry-docking projects as well as project expansion on the ports at Gujarat which entails higher margins.

Moderate financial risk profile

The financial risk profile of the company improved though remained moderate in FY2024(Prov) marked by moderate net worth, gearing level and debt protection metrics. The tangible net worth of the firm stood at Rs. 10.68 Cr. as on March 31, 2024 (Prov.) as compared to Rs. 7.47 Cr. as on March 31, 2023 and Rs. 5.58 Cr. as on March 31, 2022. The total debt of the company stood at 6.68 Cr. as compared to Rs. 12.69 Cr. as on March 31, 2023 and Rs. 5.48 Cr. in March 31, 2022. The debt profile of the firm comprises of Rs. 1.77 Cr. of secured term loans, Rs. 1.12 Cr. USL from directors and the Rs.3.79 Cr. of short-term borrowings as on March 31, 2024 (Pov.). The capital structure of the entity remains comfortable with the gearing of 0.63 times in FY24(Prov.) as against 1.70 times in FY23 (and 0.98 times in FY22). The TOL/TNW stood at 0.99 times as on March 2024 (Prov.) compared to 2.72 times as on March 2023 and 2.31 times as on March 2022. The debt protection metrics stood stable as reflected by debt service coverage ratio of by 2.02 times in FY24 (Prov.) as compared to 2.05 times in FY23 and 2.26 times in FY22 and interest service coverage ratio stood at 4.14 times in FY24 (Prov.) compared to 3.87 times in FY23 and 3.60 times in FY 22. Further, the Debt/EBITDA levels improved to 1.14 times in FY2024(Prov.) against 2.44 times in FY2023 and 1.82 times in FY2022.

Going ahead, the financial risk profile of the company is expected to improve on account of estimated growth in tenders for ship repairs.

Weaknesses

Moderate working capital cycle

The working capital operations of the company improved marked by GCA days of 71 days in FY24 (Prov.) as against 137 days and 110 during FY23 and FY22 respectively. The decline in

GCA days in primarily due to lower other current assets and improvement in debtor and inventory days. The debtor days in FY24 (Prov.) were 29 days, compared to 37 days in FY23 and 58 days in FY22. The average credit period allowed to customers is around 60 days. The company has good clientele base with clients like Indian Coast Guard Directorate General of Lighthouses and Lightships, Naval Dockyard, and Mazgaon Dock Shipbuilding, from whom payment is received upon project completion. The inventory days stood at 23 days in FY2024(Prov) as compared to 54 days in FY2023 and 30 days in FY2022. The creditor days stood at 36 days in FY24 (Prov.) as compared to 113 days in FY23 and 142 days in FY22. However, the reliance on working capital limits stood moderate at ~60% for the last 6 months ending May 2024.

Going ahead, working capital operations are expected to remain in similar range over the medium term.

Exposure to risks related to cyclicity of the industry and customer concentration

The company's ship repairs, and shipbuilding orders are influenced by the demand in the economy. The company's operations are tender-based and heavily rely on tenders issued by government shipping companies. Therefore, the company's performance is impacted by its success in winning tenders and by the cyclical nature of the industry caused by economic downturns. Additionally, there is a risk related to customer concentration, as the top three customers have contributed approximately ~60% of the company's revenue over the last three years.

Rating Sensitivities

- Significant improvement in operating income while maintaining profitability
- Any significant addition in the debt leading to impact on the financial risk profile

Liquidity Position

Adequate

The liquidity of the company is adequate, marked by adequate net cash accruals to service its debt repayment obligations. The Net cash accruals of the company stood at Rs. 3.39 crore in FY24 (Prov.) as against repayment obligation of Rs. 0.96 crore during the same period. The company's reliance on bank limits is moderate with average utilization of bank limits at 60 percent for 6 months ended May 2024. The company had unencumbered cash and bank balances of Rs.3.96 Cr. as on March 31, 2024(Prov.)

Going ahead, liquidity is expected to remain adequate in the near to medium term on account of sufficient cash accruals generations and buffer available from the unutilized working capital limits.

Outlook: Stable

Acuité believes SOEPL will maintain 'Stable' business risk profile in the medium term on the back of established operational track record, long standing experience of the promoters in the business and established relations with reputed customers and suppliers. The outlook may be revised to 'Positive' in case of higher than expected improvement in operating income while maintaining its profitability and improvement in working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of lower than expected operating performance or elongation of working capital cycl

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	68.76	55.29
PAT	Rs. Cr.	3.21	2.66
PAT Margin	(%)	4.67	4.82
Total Debt/Tangible Net Worth	Times	0.63	1.70
PBDIT/Interest	Times	4.14	3.87

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, Acuite 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
28 Apr 2023	Bank Guarantee (BLR)	Short Term	8.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	6.00	ACUITE BB+ Stable (Assigned)
	Covid Emergency Line.	Long Term	0.98	ACUITE BB+ Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	2.12	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	3.88	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	1.12	ACUITE BB+ 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
Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.59	ACUITE A4+ Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.78	ACUITE A4+ Reaffirmed
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.90	ACUITE BB+ Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	30 Nov 2025	Simple	0.43	ACUITE BB+ Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.17	ACUITE BB+ Stable Reaffirmed
Bank of India	Not avl. / Not appl.	Term Loan	30 Mar 2022	Not avl. / Not appl.	31 Mar 2032	Simple	1.23	ACUITE BB+ Stable Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Anuja Bele Associate Analyst-Rating Operations Tel: 022-49294065 anuja.bele@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

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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