

March 20, 2015

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit (proposed)	10.00*	SMERA BB/Stable (Assigned)
Bank Guarantee (proposed)	10.00#	SMERA A4+ (Assigned)

*To include Letter of Credit as a sublimit to the extent of Rs.2.00 crore

#To include Bank Guarantee (Foreign) as a sublimit to the extent of Rs.2.00 crore

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.20.00 crore proposed bank facilities of Yeoman Marine Services (YMS). The ratings are supported by the firm's experienced management and reputed clientele. The ratings also draw comfort from the firm's healthy profit margins and moderate financial risk profile. However, the ratings are constrained by the firm's small-scale operations and uneven revenue stream. The ratings are also constrained by the firm's working capital-intensive operations.

YMS, established in 1999, is a Mumbai-based proprietorship concern engaged in repairing ships. YMS also undertakes distribution of marine equipment manufactured by leading global companies. YMS benefits from its experienced management. Mr. Dhananjay Mishra, proprietor of YMS, has around 17 years of experience in the marine industry. YMS caters to various reputed clients such as Naval Dockyard, Mazagon Dock Limited, Goa Shipyard Limited and L&T Heavy Engineering.

YMS operates on healthy profit margins. The firm's operating profit margin increased from 11.25 per cent in FY2012-13 to 12.38 per cent in FY2013-14. YMS's moderate financial risk profile is reflected in gearing (total outside liabilities to tangible net worth ratio) of 2.64 times as on March 31, 2014 and interest coverage ratio of 2.48 times in FY2013-14. The firm's total debt of Rs.8.31 crore (as on March 31, 2014) mainly comprises short-term working capital facilities and interest-free unsecured loans from group entity.

YMS has small-scale operations with revenues of Rs.12.30 crore in FY2013-14. The firm has an uneven revenue stream given the tender-based nature of business. YMS's operations are working capital-intensive on account of stretched collection period of 130-150 days. The firm had availed adhoc limit of Rs.1.50 crore during August 2014 to March 05, 2015. YMS's cash credit utilisation was high at ~89 per cent (after factoring adhoc limit) during August 2014 to January 2015.

Outlook: Stable

SMERA believes YMS will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its established operations and experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected revenues and cash accruals while achieving improvement in working capital management. The outlook may be revised to 'Negative' in case the firm registers lower-than-expected revenues, profitability or net cash accruals, or in case of stretch in the firm's working capital cycle.

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About the firm

YMS, established in 1999, is a Mumbai-based proprietorship concern promoted by Mr. Dhananjay Mishra. YMS is engaged in repairing ships. The firm also undertakes distribution of marine equipment and accessories. YMS has four workshops in Nerul, Sewri, Karwar and Vizag.

For FY2013-14, YMS reported profit after tax (PAT) of Rs.0.62 crore on operating income of Rs.12.30 crore, as compared with PAT of Rs.1.17 crore on operating income of Rs.21.32 crore in FY2012-13. The firm's net worth stood at Rs.4.34 crore as on March 31, 2014, as compared with Rs.3.77 crore a year earlier.

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