



Press Release

Yeoman Marine Services Private Limited

February 20, 2023

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	55.00 (including Proposed amount of Rs.18.62 crore)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Assigned	Simple
Short Term Bank Facilities	20.00 (including Proposed amount of Rs.6.00 crore)	IVR A3 (IVR A Three)	Assigned	Simple
Total	75.00 (Rupees Seventy Five crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Yeoman Marine Services Private Limited (YMSPL) derives strength from experienced promoters, reputed clientele and comfortable capital structure and debt protection metrics. The rating strengths are, however, partially offset by small scale of operations, volatility in profitability margins and working capital intensive nature of operations.

Key Rating Sensitivities:

Upward Factors

- Improvement in the total operating income by more than 25% on a sustained basis.
- Sustained improvement in EBITDA margin exceeding 35% leading to improvement in cash accruals and liquidity position.

Downward Factors

- Inability to maintain relations with Indian Navy which can result in loss of tenders from them.
- Any decline in revenue and profitability leading to deterioration in debt protection metrics.



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- Any un-envisaged incremental debt funded capital expenditure leading to deterioration in its overall gearing ratio above unity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

YMSPL has been in marine industry since 1999. The company is promoted by Mr. Dhananjay Mishra and Mrs. Seema Mishra. Mr. Dhananjay Mishra (Managing Director) has more than two decades of experience and Mrs. Seema Mishra (Director) has more than one decades in the marine industry. The promoters' experience has helped the company to maintain healthy and long-standing relations with the customers and suppliers.

Reputed clients

YMSPL has repaired and built various types of ships of the Indian Navy, Coast Guard, and other departments. The company has repaired some of the largest ships of Indian Navy like INS Vikramaditya, INS Virat, INS Vikrant, INS Jalashwa etc.

Comfortable capital structure and debt protection metrics

The capital structure and debt protection metrics of the company are comfortable despite the moderation in FY22. Overall gearing ratio of the company has deteriorated from 0.14x as on March 31, 2021 to 0.75x as on March 31, 2022 due to increase in total debt from Rs.2.85 crore as on March 2021 to Rs.18.99 crore as on March 31, 2022 due to high utilisation of CC limit on the year end, and avilment of new term loans for purchase of property. TOL/ TNW also deteriorated from 0.58x as on March 31, 2021 to 1.19x as on March 31, 2022 due to increase in total debt. Interest coverage ratio has deteriorated from 24.44x in FY21 to 10.06x in FY22 due to increase in interest expenses, on account of the increase in debt. Further, total debt to GCA has also deteriorated from 0.55x in FY21 to 4.07x in FY22 due to decline in GCA and increase in total debt.

Key Rating Weaknesses

Small scale of operations

YMSPL's scale of operation remained small in last three year ending FY22. Total operating income (TOI) has remained similar in FY20 and FY21 at Rs.35.36 crore and Rs.35.66 crore respectively due to Covid 19 wherein the labour availability was limited. Further, TOI increased



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by 40.50% in FY22 i.e. Rs.49.92 crore mainly due to increase in tender execution during the year. The company's networth was also low at Rs.25.20 crore as on March 31, 2022.

Volatility in profitability margins

YMSPL's profitability remained volatile in the three years ended FY22. EBITDA margin improved from 2.82% in FY20 to 19.08% in FY21 due decline in raw material cost from Rs.22.25 crore in FY20 to Rs.19.07 crore, decline of salary and wages from Rs.9.14 crore in FY20 to Rs.7.15 crore in FY21, and decline in manufacturing and administration expenses Rs.5.74 crore in FY20 to Rs.2.81 crore in FY21. However, in FY22 it declined to 12.38% due to increase in raw material cost and salary and wages expenses to Rs.34.58 crore and Rs.9.28 crore respectively. Further in line with EBITDA margin, PAT margin has improved from 7.08% in FY20 to 13.27% in FY21 and declined to 8.30% in FY22. Due to decline in profitability margin in FY22, GCA also declined from Rs.5.20 crore in FY21 to Rs.4.67 crore in FY22.

Working capital intensive nature of operations

YMSPL's operations are working capital intensive. YMSPL generates invoice stage wise based on work done certificate (WDC) and shares it with the customer. Customer after receiving the invoice, pays the company within a period of 90 days. However, in FY22 collection period increased from 79 days to 125 days due technical and quality check of ships. The expenses incurred by the company during the completion of project against which the payment is receivable are reported as inventory; inventory holding improved from 88 days in FY21 to 73 days in FY22. The company's creditor period remained similar at 47 days in FY21 and FY22. The operating cycle elongated from 120 days in FY21 to 151 days in FY22.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria on Default Recognition](#)

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for service sector entities](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity: Adequate



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The liquidity of the company is expected to remain adequate in the near to medium term marked by sufficient accruals vis-à-vis its debt repayment obligations. YMSPL's average fund based working capital utilization for the 12 months ended November 2022 stood around 45.02%. Current ratio and quick ratio were 1.73x and 1.32x respectively as on March 31, 2022. YMSPL has capex plans till FY25 of Rs.25.00 crores for purchase, repair and maintenance of Ratnagiri shipyard which is funded from unsecured loan from promoter, term loan from bank and it is getting investment from Maharashtra Defence and Aerospace Venture Fund.

About the company

Yeoman Marine Service Private Limited (YMSPL) was established in year 1999 as a proprietorship firm named Yeoman Marine Service by Mr. Dhananjay Mishra. In 2015 it converted into a private limited company named YMSPL. The company is engaged in ship and submarine repair, ship building and trading of original equipment manufacturer (OEM) spare parts. The company acts as a principal contractor for ship and submarine repair and acts as a sub-contractor for ship building. The company has workshop in Navi Mumbai, Karwar and Vaizag. The company has repaired ships like INS Vikkam Aditya, INS Virat, INS Vikrat, INS Jalashwa etc. for the Indian Navy in the past. YMSPL is a part of Yeoman group. The Yeoman group is engaged in maintenance, repair and operation (MRO) business.

Financials (Standalone):

(Rs. crore)		
For the year ended / As On*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Operating Income	35.66	49.92
EBITDA	6.80	6.18
PAT	4.82	4.23
Total Debt	2.85	18.99
Tangible Networth	21.10	25.20
Ratios		
EBITDA Margin (%)	19.08	12.38
PAT Margin (%)	13.27	8.30
Overall Gearing Ratio (x)	0.14	0.75

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil



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Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	4.63	IVR BBB-/Stable	-	-	-
2.	Cash credit	Long Term	33.62	IVR BBB-/Stable	-	-	-
3.	Overdraft	Long Term	16.75	IVR BBB-/Stable	-	-	-
4.	Bank Guarantee	Short Term	20.00	IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Term Loan	-	-	September 5, 2036	4.63	IVR BBB-/ Stable
Cash credit	-	-	-	33.62	IVR BBB-/ Stable
Overdraft	-	-	-	16.75	IVR BBB-/ Stable
Bank Guarantee	-	-	-	20.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Yeoman-feb23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.