

March 20, 2025

Coastal Marine Construction and Engineering Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term loan	100.00	250.00	[ICRA]A+ (Stable); reaffirmed and assigned for enhanced amount
Long-term – Fund based – Cash credit	50.00	50.00	[ICRA]A+ (Stable); reaffirmed
Short-term – Non-fund based limits	850.00	850.00	[ICRA]A1+; reaffirmed
Total	1000.00	1150.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings reaffirmation for Coastal Marine Construction and Engineering Limited (COMACOE) reflects its healthy financial profile, characterised by low leverage (TOL/TNW of 0.4 times as on March 31, 2024), comfortable coverage indicators (DSCR of 7.2 times and interest cover of 14.9 times as on March 31, 2024) and strong liquidity position (unencumbered cash balances and investments of ~Rs. 518.0 crore as on December 31, 2024). Despite COMACOE's capital expenditure plans of ~Rs. 200 crore in FY2026-FY2027, ICRA expects the company's credit metrics to remain comfortable with interest cover likely to be above 6.5 times and DSCR above 2.5 times over the medium term. The ratings continue to favourably factor in the extensive experience and established position of the management in the pre-engineering and pre-construction geotechnical investigation services for the oil and gas sector, operations and maintenance (O&M) projects for single point mooring buoy, submarine pipeline systems, etc. along with its execution track record spanning over three decades in the marine construction segment.

The company had a strong order book (OB) position of ~Rs. 1,773 crore as on December 31, 2024, translating into a healthy OB/operating income (OI) ratio of 3.8 times (based on FY2024 financials), thereby offering adequate revenue visibility. It added new orders worth ~Rs. 870 crore over the last 21 months ending on December 31, 2024. The company's core operating margins improved to 38.9% in 9M FY2025 (32.7% in FY2024), supported by increased share of service revenue from the geoscience segment in the revenue mix. However, as billing for the construction segment increases in Q4 FY2025 (in line with historical trend), overall operating margins are expected to remain at historical levels in the range of 30-32%. The operating margins are expected to remain healthy, given the in-house survey team and consultants for carrying out pre-construction design works.

The ratings are, however, constrained by the company's modest, albeit improving, scale of operations and high order book concentration risk across segment and projects. Its operating income (OI) witnessed a CAGR of 13% during FY2019-FY2024 and is projected to report an annual growth of 13%-15% in FY2025 and FY2026. With a likely increase in scale of operations over the medium term, the company's ability to judiciously manage its working capital cycle remains crucial from the credit perspective. The order book is dominated by top three orders contributing to ~73% of the unexecuted order book as on December 31, 2024. Given the specialised nature of services offered by COMACOE, segment concentration remains high with the marine infrastructure sector contributing to 64% of the unexecuted order book as on December 31, 2024. Around 80% of the outstanding order book is in the nascent stages with less than 15% completion as on December 31, 2024, thereby exposing it to execution risks. Its single largest order from Bangladesh, which accounts for ~47% of the outstanding order book, was initially delayed owing to challenges in the region and the order is still in the nascent stages. However, execution has commenced for the order with resources mobilised for work completion. Overall, the non-fund-based exposure for the Bangladesh project remains sizeable, and any adverse development on the same could have a bearing on the company's credit

profile and remains a key monitorable. Over the next 12-18 months, sizeable share of revenue is likely to be derived from this project and, hence, timely ramp-up in project execution and realisation of funds from the end counterparty remains crucial. COMACOE plans to expand its overseas operations, which will likely entail a capex of ~Rs. 200 crore over FY2026-FY2027. Nevertheless, COMACOE is expected to remain net-cash surplus with liquidity of more than Rs. 450 crore likely to be maintained over the medium term. Considering the increasing scale of operations, COMACOE's ability to enhance its working capital lines, especially non-fund based limits remains crucial to bid for new orders. The ratings are also constrained by the absence of price-variation clause in most of its EPC contracts, which exposes it to cost escalation risks, in cases of adverse movement of input cost. Moreover, given the complexity of the projects, timely completion of the project within time and stipulated cost remains crucial to sustain margins.

The Stable outlook on the ratings reflects ICRA's opinion that COMACOE will continue to benefit from its long track record of operations, healthy financial profile, characterised by healthy margins and comfortable coverage indicators, along with strong liquidity profile.

Key rating drivers and their description

Credit strengths

Healthy financial risk profile and strong liquidity – The company reported a healthy financial profile, characterised by low leverage (TOL/TNW of 0.4 times as on March 31, 2024), comfortable coverage indicators (DSCR of 7.2 times and interest cover of 14.9 times as on March 31, 2024) and strong liquidity position (unencumbered cash balances and investments of ~Rs. 518.0 crore as on December 31, 2024). Despite COMACOE's capital expenditure plans of ~Rs. 200 crore in FY2026-FY2027, ICRA expects the company's credit metrics to remain comfortable with interest cover likely to be above 6.5 times and DSCR above 2.5 times over the medium term. The company's core operating margins improved to 38.9% in 9M FY2025 (32.7% in FY2024), supported by increased share of service revenue from the geoscience segment in the revenue mix. However, as billing for the construction segment increases in Q4 FY2025 (in line with historical trend), overall operating margins are expected to moderate to historical levels at 30-32%. Nevertheless, the operating margins are expected to remain healthy given the in-house survey team and consultants for carrying out pre-construction design works.

Extensive experience and established position in geotechnical investigation, survey work in oil and gas sector and strong execution track record in marine construction segment – The management has experience of over three decades and established position in the pre-engineering and pre-construction geotechnical investigation services for the oil and gas sector and other marine construction projects. The company has a demonstrated track record in execution of projects in geotechnical investigation and survey work in the oil and gas sector, along with the marine (pipeline construction) industry. Further, the company is also performing operations and maintenance (O&M) projects for single point mooring buoy, submarine pipeline systems, etc.

Credit challenges

Modest scale of operations with concentrated order book position – Given the specialised nature of services offered by COMACOE with major focus on a sole segment, its scale remains relatively modest compared to peers at similar rating level. Moreover, year-end revenue booking has resulted in high receivable and creditor days. ICRA notes that more than 50% of FY2024 revenue was booked in the last quarter of the fiscal. Its operating income (OI) witnessed a CAGR of 13% during FY2019-FY2024 and is projected to report annual growth of 13-15% in FY2025 and FY2026. With a likely increase in scale of operations over the medium term, the company's ability to judiciously manage its working capital cycle remains crucial.

Notwithstanding the company's strong presence in geotechnical services, marine construction works and marine terminal management, the segment concentration remains high with the marine segment constituting the majority of pending order book as on December 31, 2024. COMACOE is exposed to high project concentration with top three orders contributing to ~73% of the unexecuted order book as on December 31, 2024. Around 80% of the outstanding order book is in the nascent stages

with less than 15% completed as on December 31, 2024, thereby exposing it to execution risks. Its single largest order from Bangladesh, which accounts for ~47% of the outstanding order book, was initially delayed owing to challenges in the region and the order is still in the nascent stages. However, execution commenced for the order with resources mobilised for work completion. Over the next 12-18 months, a sizeable share of revenue is likely to be derived from this project and, hence, timely ramp-up in project execution as well as realisation of funds from the end counterparty remain crucial.

Absence of price-variation clause in majority of its contracts exposes operating profitability to input-cost pressure – COMACOE does not have a price-variation clause in most of its EPC contracts, thus exposing its operating margin to cost escalation risk. However, the commodity/raw-material content is relatively low in the marine projects executed by the company and the major cost is towards hiring cost for equipments/vessels. Thus, the margins are expected to remain healthy going forward, given the operating leverage benefits and mix of newly commissioned projects, wherein the recent commodity prices are already factored.

Liquidity position: Strong

COMACOE's liquidity is strong, supported by ~Rs. 518.0 crore of cash and liquid investments, primarily deployed in debt or liquid mutual funds, including unencumbered cash balance of Rs. 91.8 crore. The company has ~Rs. 200 crore of debt-funded capex plans in FY2026-FY2027, with debt repayment obligations of Rs. 15-20 crore per annum in the next 24 months, which can be comfortably met through the operational cash flows and available cash balance. The average utilisation of fund-based facilities over the last 12 months ending in December 2024 is 37%, which provides ample cushion.

Rating sensitivities

Positive factors – ICRA could upgrade COMACOE's ratings, if the company scales up significantly and materially diversifies its business presence, while maintaining low leverage and a strong liquidity profile on a sustained basis.

Negative factors – Negative pressure on COMACOE's ratings could arise, if there is a material decline in earnings, sizeable debt-funded capex/inorganic expansion and/or further stretch in receivable position leading to significant weakening of the liquidity. Further, any adverse development in the Bangladesh project, which materially impacts liquidity position will be a credit negative.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

About the company

COMACOE, incorporated in 1995, provides pre-engineering and pre-construction geotechnical investigation services to the oil and gas sector and other marine construction projects and in engineering, procurement and construction work for marine projects. Initially, COMACOE focused on marine surveys and geotechnical soil investigations. In 2009, the company entered marine construction projects such as construction of sea water intake and outfall system as well as operations and maintenance (O&M) projects for single-point mooring buoy, submarine pipeline systems, etc. Since then, it has acquired vast experience through projects involving foundation engineering, diving, trenching and pipe laying. Apart from India, COMACOE's projects have spanned across various countries including Senegal, Qatar, Iran, Iraq, UAE, Sudan, Vietnam, Malaysia, Brunei,

Mexico, Mozambique, Mauritius, Bangladesh, Tanzania, Yemen, Nigeria. It operates in three sub-segments of marine: geosciences (hydrographic/oceanographic/site surveys, foundation engineering, etc.), O&M of port and terminals and marine infrastructure (sea water intake and civil construction).

Key financial indicators (audited)

COMACOE – Standalone	FY2023	FY2024
Operating income (Rs. crore)	359.7	467.0
PAT (Rs. crore)	70.1	151.9
OPBDIT/OI (%)	25.5%	38.9%
PAT/OI (%)	19.5%	32.5%
Total outside liabilities/Tangible net worth (times)	0.4	0.4
Total debt/OPBDIT (times)	0.5	0.2
Interest coverage (times)	11.5	14.9

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current (FY2025)				Chronology of rating history for the past 3 years						
	Type	Amount rated (Rs. crore)	Mar 20, 2025	FY2025		FY2024		FY2023		FY2022	
				Date	Rating	Date	Rating	Date	Rating	Date	Rating
Non-fund based limits	Short Term	850.00	[ICRA]A1+	September 25, 2024	[ICRA]A1+	June 23, 2023	[ICRA]A1+	May 20, 2022	[ICRA]A1+	April 19, 2021	[ICRA]A1+
				October 22, 2024	[ICRA]A1+	-	-	-	-	-	-
Fund- based – Term loan	Long Term	250.00	[ICRA]A+(Stable)	September 25, 2024	[ICRA]A+ (Stable)	June 23, 2023	[ICRA]A+ (Stable)	May 20, 2022	[ICRA]A+ (Stable)	April 19, 2021	[ICRA]A+ (Stable)
				October 22, 2024	[ICRA]A+ (Stable)	-	-	-	-	-	-
Fund- based – Cash credit	Long Term	50.00	[ICRA]A+(Stable)	September 25, 2024	[ICRA]A+ (Stable)	June 23, 2023	[ICRA]A+ (Stable)	May 20, 2022	[ICRA]A+ (Stable)	April 19, 2021	[ICRA]A+ (Stable)
				October 22, 2024	[ICRA]A+ (Stable)	-	-	-	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Term loan	Simple
Long-term – Fund-based – Cash credit	Simple
Short-term – Non-fund based limits	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's

credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based – Term loan	FY2018	NA	FY2029	250.00	[ICRA]A+ (Stable)
NA	Fund-based – Cash credit	NA	NA	NA	50.00	[ICRA]A+ (Stable)
NA	Non-fund based limits	NA	NA	NA	850.00	[ICRA]A1+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable.

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