



Press Release
KNK SHIP MANAGEMENT
March 25, 2025
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BBB- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded its long-term rating to ‘ACUITE BBB-’ (read as ACUITE Triple B Minus) from ‘ACUITE B+’ (read as ACUITE B Plus) on Rs. 50.00 crore bank facilities of KNK Ship Management. The outlook is "Stable".

Rationale for Rating Upgrade

The rating upgrade and migration from ‘Issuer Non-Cooperating’ reflects partners extensive experience in the shipping industry and its established customer relationships. Further, it considers its healthy financial risk profile marked by moderate net worth, low gearing, and healthy debt protection metrics. Additionally, the firm plans to acquire a new vessel, which is expected to enhance revenue visibility in the near to medium term. The rating also takes into account the firm's association with its major client, which are government ports. However, the rating is constrained by stagnant scale of operations, moderate nature of working capital operations & inherent risk of capital withdrawal in partnership firm.

About the Company

KNK Ship Management, a Mumbai-based partnership firm, was established in 2015 by Mr. Capt. Naresh Kalra, Mrs. Prabhat Shobha Kalra, Mr. Devesh Kalra and Ms. Bhavnidhi Kalra. The firm began operations as a proprietorship firm in 1989. It was led by Capt. Naresh Kalra, the firm provides ship management services such as time charter, manpower and recruitment, delivery and voyage, salvage and towing among others. KNK is a certified marine recruiting agent.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of KNK Ship Management to arrive at the rating.

Key Rating Drivers

Strengths

Established track record of operations and experienced management

The firm was established as a partnership firm in 2015 by Mr. Capt. Naresh Kalra and others. Promoter, Capt. Naresh Kalra, has experience of more than three decades in the marine industry. The extensive experience of Capt. Naresh Kalra has helped the firm forge healthy relationships with its customers including Adani Port and Sez Limited, Deendayal Port Trust and others.

Acuite believes that KNK will sustain its existing business profile on the back of its experienced management and established track record of operations in the marine industry.

Healthy financial risk profile

The financial risk profile of the firm improved and remained healthy marked by moderate network, low gearing and healthy debt protection metrics. The net worth of the firm stood at Rs. 43.26 Cr. as on March 31st, 2024 as against Rs.33.19 Cr. as on March 31st, 2023. The debt profile of the firm stood at Rs.33.42 Cr. as on March 31, 2024 comprising of Rs. 20.93 Cr. of long-term debt, Rs. 1.53 Cr. of short-term debt, Rs.1.58 Cr. of unsecured loans from promoters and other related parties & current portion of long-term debt Rs.9.38 Cr. The gearing of the firm improved and stood at 0.77 times as on March 31, 2024 as compared to 1.54 times as on March 31, 2023. Further, the debt protection metrics of the firm stood comfortable reflected by debt service coverage ratio of 1.22 times for FY24 as against 1.71 times for FY23. The interest coverage ratio stood at 8.64 times for FY24 as against 6.80 times for FY23. The net cash accruals to total debt (NCA/TD) stood at 0.76 times in FY24 as compared to 0.56 times in the previous year.

Further, KNK has a planned debt-funded capex of ~Rs.50.00 Cr. for the purchase of additional vessel during FY2026 to be funded by term loan from the bank. KNK's ability to optimally utilise the additional vessels and generate adequate cash accruals commensurate with the debt servicing commitments will remain key monitorable. Acuite believes that the ability of the firm to maintain its healthy financial risk profile in view of the upcoming debt-funded capex will remain a key monitorable over the medium term.

Weaknesses

Stagnant scale of operations and moderation in profitability

The operating revenue of the firm stood stagnant at Rs.89.77 Cr. as on March 31, 2024 as against Rs.92.31 Cr. in FY2023 and Rs.85.77 Cr. in FY2022. as the firm focused on debt reduction than acquiring new vessels and increasing the scale of operations. The firm's primary revenue source is vessel ownership, and no new vessels have been purchased since 2021, resulting in stagnant revenue over the years. Additionally, in 11MFY25, the firm recorded revenue of ~Rs.88.56 Cr. The firm plans to acquire a new vessel, which is expected to enhance its scale of operations in the coming years. Further, the operating profit margin of the firm declined to 37.29 percent in FY2024 as compared to 44.69 percent in FY2023, primarily due to increased employee costs and professional fees.

Acuite believes that the business risk profile of firm will improve over the medium term on the back of planned addition of new vessel.

Moderate Nature of working capital operations

The working capital operations of the firm are moderate in nature, with Gross Current Assets (GCA) days of 119 days as on March 31, 2024 as compared to 104 days in the previous year. The debtor days stood at 67 days in FY2024 as compared against 69 days in FY2023. The working capital limits are low utilized as evident from ~33% utilisation of fund-based facilities in the last 11 months ending November 2024.

Acuite believes that the firm's working capital operations will continue to remain efficient over the medium term.

Inherent risk of capital withdrawal in a partnership firm

The Firm is susceptible to the inherent risk of capital withdrawal given its constitution as a partnership. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm.

Rating Sensitivities

- Growth in scale of operations and improvement in profitability.
- Elongation in the working capital cycle.

Liquidity Position Adequate

The firm's liquidity position is adequate marked by generation of sufficient net cash accruals against its repayment obligations. The firm generated net cash accruals of Rs. 25.27 Cr. in FY2024 as against its maturing debt obligations of ~Rs.19.89 Cr. in the same tenure. In addition, it is expected to generate sufficient cash accruals against its maturing repayment obligations over the medium term. The cash and bank balances of the firm stood at Rs. 0.26 Cr. as on March 31, 2024. Further, the reliance on working capital limits remained low with average utilization of ~33% in the last eleven months ending November 2024. However, the current ratio stood at 0.97 times as on March 31, 2024.

Acuite believes that going forward the firm will maintain adequate liquidity position owing to steady accruals and

buffer available from unutilised working capital limits.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	89.77	92.31
PAT	Rs. Cr.	12.36	12.71
PAT Margin	(%)	13.77	13.77
Total Debt/Tangible Net Worth	Times	0.77	1.54
PBDIT/Interest	Times	8.64	6.80

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

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
13 May 2024	Proposed Term Loan	Long Term	50.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)
13 Feb 2023	Proposed Term Loan	Long Term	50.00	ACUITE B+ (Reaffirmed & Issuer not co-operating*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Kotak Mahindra Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2026	1.04	Simple	ACUITE BBB- Stable Upgraded (from ACUITE B+)
Kotak Mahindra Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 May 2028	1.28	Simple	ACUITE BBB- Stable Upgraded (from ACUITE B+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	29.55	Simple	ACUITE BBB- Stable Upgraded (from ACUITE B+)
Bank of Baroda	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.61	Simple	ACUITE BBB- Stable Upgraded (from ACUITE B+)
Indusind Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Apr 2028	8.63	Simple	ACUITE BBB- Stable Upgraded (from ACUITE B+)
Bank of Baroda	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Dec 2025	3.75	Simple	ACUITE BBB- Stable Upgraded (from ACUITE B+)
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2025	2.37	Simple	ACUITE BBB- Stable Upgraded (from ACUITE B+)
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2026	1.16	Simple	ACUITE BBB- Stable Upgraded (from ACUITE B+)
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	1.61	Simple	ACUITE BBB- Stable Upgraded (from ACUITE B+)

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Sahil Sawant Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

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