

Press Release

Agrasen Ship Breakers Private Limited

August 10, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 28.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs.28.00 crore bank facilities of Agrasen Ship Breakers Private Limited (ASBL). The outlook is '**Stable**'.

The Mumbai-based, ASBL was incorporated in 2003 and is engaged in ship breaking business at Alang Ship Breaking Yard in Gujarat. The company is HKC compliant and RINA Class certified. It imports mainly cargo ships for dismantling in the range of 2000-10000 MT. the company is managed by two brothers, namely, Mr. Rajneesh Bansal and Mr. Sandeep Bansal.

Analytical Approach

Acuité has considered standalone business and financial risk profile of the company to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters of the company, Mr. Rajneesh Bansal and Mr. Sandeep Bansal, have extensive experience of two decades in ship dismantling/breaking industry resulting in established relationship with customers.

- **Location advantage**

The operations of ASBL are carried out on world's largest ship breaking yard, Alang-Sosiya Ship Breaking Yard in Gujarat. Acuité believes that the company's location will help the company in acquiring more number of ships with ease.

- **Moderate financial risk profile**

The financial risk profile of the company is moderate marked by tangible net worth of Rs.6.81 crore as on 31 March, 2018 as against Rs.5.50 crore as on 31 March 2017. The company as on March 31, 2018 did not have any outstanding debt from lenders. The unsecured loan from promoters has been treated as quasi equity as the same is subordinate to bank facilities. The interest coverage ratio (ICR) stood at 2.29 times in FY2018 as against 4.48 times in FY2017. The debt service coverage ratio (DSCR) stood at 1.98 times in FY2018 as against 3.90 times in FY2017. The net cash accruals stood at Rs.0.39 crore in FY2018 as against Rs.0.16 crore in FY2017. Acuité believes that the company will sustain the moderate financial risk profile over the medium term.

Weaknesses

- **Modest scale of operation**

The company has been operating on a small scale with an operating income of Rs.20.92 crore in FY2017-18. The growth in steel industry will help the company to increase its operation. The revenue booked by the company from April to June 2018 was Rs.8.35 crore.

- **Susceptibility to cyclical in ship breaking industry**

The ship breaking business is cyclical in nature as it depends on the availability of old ships for recycling.

- **Risks related to volatile steel prices and foreign exchange fluctuation risk**

The volatility in steel prices exposes the company to any adverse price movement on the uncut ship inventory as well as unsold inventory of steel scrap. The company is also exposed to foreign exchange fluctuation risk because of import of ships which are purchased against long duration LC ranging from 90 to 270 days.

Outlook: Stable

Acuité believes that ASBL will maintain a 'Stable' outlook in the medium term on account of the management's extensive experience in the ship breaking business. The outlook may be revised to 'Positive' in case of higher than expected increase in revenues and operating margins while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues and accruals or elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	20.92	6.43	1.57
EBITDA	Rs. Cr.	0.44	-0.15	-0.21
PAT	Rs. Cr.	0.35	0.11	0.01
EBITDA Margin	(%)	2.11	-2.35	-13.06
PAT Margin	(%)	1.66	1.69	0.91
ROCE	(%)	13.97	3.40	3.57
Total Debt/Tangible Net Worth	Times	0.00	0.00	0.10
PBDIT/Interest	Times	2.29	4.48	1.46
Total Debt/PBDIT	Times	0.00	0.00	1.77
Gross Current Assets (Days)	Days	146	174	2246

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

Crisil, vide its press release dated January 25, 2018 had denoted the rating of Agrasen Ship Breakers Private Limited as 'CRISIL BB-/stable/CRISIL A4+/ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB / Stable (Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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