



Press Release
SALASAR BALAJI SHIP BREAKERS PRIVATE LIMITED
August 25, 2025
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	25.00	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	75.00	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	150.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of 'ACUITE BB-' (read as ACUITE Double B Minus) and short-term rating of 'ACUITE A4' (read as ACUITE A four) on the Rs. 100.00 crore bank facilities of Salasar Balaji Ship Breakers Private Limited (SBSBPL). The outlook remains 'Stable'. Further, Acuite has assigned a long-term rating of 'ACUITE BB-' (read as ACUITE Double B Minus) on the Rs. 50.00 crore bank facilities of Salasar Balaji Ship Breakers Private Limited (SBSBPL). The outlook is 'Stable'.

Rational for rating

The rating reaffirmation factors in the management's extensive experience, moderation in operating performance, and financial risk profile. It also considers the company's adequate liquidity position. However, the rating is constrained by SBSBPL's working capital-intensive operations and the challenges arising from cyclical and volatility in the highly competitive shipbreaking industry.

About the Company

Gujarat based, Salasar Balaji Ship Breakers Private Limited (SBSBPL) was incorporated in 2000 by Mr. Sanjiv Chaudhary. The promoter has been in ship breaking for more than three decades. Prior to SBSBPL, the operations were done under family-owned partnership firm, Chaudhary Industries. The company diversified its operations into trading of iron and steel products from 2016. Till date promoter has dismantled more than 100 ships over a period of more than three decades. The company undertakes ship recycling activities at its plot at Alang, Gujarat. Company is ISO 30000:2009; 9001:2015; 14001:2015 and OHSAS 18001:2007 certified. The company has also achieved statement of compliance from RINA class of Hong Kong Convention Compliance and NK class Nippon Kaiji Kyokai, Tokyo in February 2019. All these standards are related to Safe, Environment friendly and Responsible Ship recycling practices.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Salasar Balaji Ship Breakers Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations

SBSBPL is managed by Mr. Sanjiv Chaudhary and his son Mr. Abhishek Chaudhary who collectively possess experience of more than 3 decades in ship breaking business. The long presence of the promoters in the industry has resulted in healthy relationship with customers and suppliers. Further, the company enjoys location advantage as its operations are conducted at Alang, Gujarat which is the world's largest ship breaking yard ensuring easy availability of ship, human resource and infrastructure. Acuité believes that SBSBPL will continue to benefit over the medium term on the back of the experience of the promoters.

Moderation in Revenue and profitability

The company's revenue increased to Rs. 27.90 crore in FY25 (Provisional) from Rs. 23.14 crore in FY24, driven by higher demand for scrap and its entry into industrial demolition. Revenue remained rangebound over the past three years due to the absence of ship purchases, as high prices and geopolitical tensions such as the Russia Ukraine conflict and the Red Sea crisis led to elevated freight charges. This made ship owners reluctant to sell, given the profitability of freighting. With these tensions now easing, freight costs have declined, and ship owners are more willing to sell, improving prospects for the ship-breaking business. The company recorded revenue of Rs. 15.03 crore as of 30th June 2025 and is in advanced negotiations for ship purchases. It expects to book revenue of approximately Rs. 85 crore in FY26. The company's profitability margins have been volatile due to fluctuations in demand for ship breaking. The operating profit margin declined to 1.42 per cent in FY25 (Prov.) from 4.20 per cent in FY24 and 1.79 per cent in FY23. Acuité believes that the company's ability to scale operations and improve profitability margins will be a key rating monitorable.

Moderate Financial Risk Profile

The company has a moderate financial risk profile marked by moderate net worth, low gearing and moderate debt protection metrics. SBSBPL's net worth stood rangebound at Rs. 12.56 crore as of March 31, 2025 (Prov.) as well as FY24, against Rs. 12.48 crore as of March 31, 2023, on account of accretion of profits to reserves. The company's gearing stood at 0.56 times as on March 31, 2025 (Prov.) as against 0.27 times as on March 31, 2024. The company's total debt as on March 31, 2025 (Prov.) stood at Rs. 7.10 crore as compared to Rs. 3.35 crore as on March 31, 2024. The interest coverage ratio (ICR) of the company stood at 1.22 times in FY25 (Prov.) against 4.66 times in FY24. Debt service coverage ratio (DSCR) stood at 1.22 times in FY2025 (Prov.) against 1.79 times in FY2024. The company has a sanctioned limit of a Letter of Credit (LC) with a sublimit of buyer's credit amounting to Rs. 75.00 crore, which will be utilized for purchasing the ship. Acuité believes that the ability of SBSBPL to improve its financial risk profile over the medium term will remain a key rating sensitivity factor.

Weaknesses

Working Capital Intensive Operations

SBSBPL's operations remained working capital intensive, with average gross current asset (GCA) exceeding 560 days during FY23 to FY25 (Prov.). Although GCA days improved, they remained high at 221 days in FY25 (Prov.) compared to 216 days in FY24. This high GCA is driven by elevated inventory levels, which stood at 69 days in FY25 (Prov.) against 31 days in FY24. The inventory comprises various types of scraps from the demolition of power plants and industries. The debtor days stood at 44 days for FY25 (Prov.). The creditor days of the company stood at 1 day for FY25 (Prov.) as against 16 days in FY24. Acuité believes that SBSBPL's ability to improve its working capital cycle over the medium to long term will remain a key rating sensitivity factor.

Exposure to risks related to cyclical and fragmented industry

SBSBPL faces risks from the cyclical and fragmented steel industry, impacting ship acquisition costs and scrap revenue. Fluctuating steel prices and competition from local and international players add to the challenges. The company also deals with environmental regulatory risks and foreign exchange volatility, as ship purchases are in foreign currency while revenue is in Indian Rupees. Despite using forward contracts to hedge forex risk, coverage is partial. Additionally, volatile scrap rates during shipbreaking impact margins. The ship-scraping industry attracts attention due to environmental pollution, labour health issues, and human rights violations, with strict regulations potentially affecting the company's growth.

Rating Sensitivities

- Improving scale of operations and profitability
- Efficient management of working capital cycle
- Changes in financial risk profile

Liquidity Position

Adequate

The company's liquidity is adequate, with modest net cash accruals ranging from Rs. 0.16-0.26 crore from FY2023- 25 (Prov.) and no maturing debt obligations. SBSBPL is expected to generate net cash accruals of Rs. 23 crore in the medium term, with no debt obligations. As of March 31, 2025 (Prov.), the company's LC limits remain unutilized. However, if the company procures a ship for dismantling, these limits may be utilized in the medium to long term. The company's working capital management is intensive, with GCA days of 221 in FY2025 (Prov.) compared to 216 days in FY2024. As of March 31, 2025 (Prov.), the company maintains unencumbered cash and bank balances of Rs. 0.17 crore.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Provisional)	FY 24 (Actual)
Operating Income	Rs. Cr.	27.90	23.14
PAT	Rs. Cr.	0.00	0.08
PAT Margin	(%)	0.01	0.34
Total Debt/Tangible Net Worth	Times	0.56	0.27
PBDIT/Interest	Times	1.22	4.66

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

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>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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
16 May 2025	Letter of Credit	Short Term	75.00	ACUITE A4 (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	25.00	ACUITE BB- Stable (Upgraded from ACUITE B+)
17 Mar 2025	Letter of Credit	Short Term	75.00	ACUITE A4 (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	25.00	ACUITE B+ (Downgraded & Issuer not co-operating* from ACUITE BB- Stable)
27 Dec 2023	Letter of Credit	Short Term	75.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Proposed Long Term Bank Facility	Long Term	25.00	ACUITE BB- Stable (Downgraded from ACUITE BB Stable)
28 Sep 2022	Letter of Credit	Short Term	80.00	ACUITE A4+ (Upgraded from ACUITE A4)
	Cash Credit	Long Term	20.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
22 Jul 2022	Letter of Credit	Short Term	80.00	ACUITE A4 (Downgraded from ACUITE A3)
	Cash Credit	Long Term	20.00	ACUITE BB- Stable (Downgraded from ACUITE BBB- Negative)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Punjab National Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	75.00	Simple	ACUITE A4 Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	25.00	Simple	ACUITE BB- Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE BB- Stable Assigned

***The Letter of Credit facility includes a sublimit of Rs. 75.00 crore for the cash credit facility, with the overall sanctioned limit from Punjab National Bank capped at Rs. 75.00 crore**

Contacts

Mohit Jain Chief Analytical Officer-Rating Operations	Contact details exclusively for investors and lenders
Dheeraj Salian Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.