

Press Release

SPS Marine Private Limited

D-U-N-S® Number: 87-202-7790



March 11, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 16.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs. 16.00 crore bank facilities of SPS MARINE PRIVATE LIMITED. The outlook is '**Stable**'.

SPS Marine Private Limited (SMPL) was incorporated in 2008, by Mr. Prafulla Ranjan and Mrs. Shalini Ranjan. SMPL commenced its operations in August, 2018. The directors after commencement of operations are Mr. Prafulla Ranjan and Mr. Hemant Dhanu. The company owns one ship with DWT (Dead weight tonnage) of 7928 tonnes and is used for providing cargo services for bulk carrier all over the world.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of SPS Marine Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced Management**

The directors of the company Mr. Prafulla Ranjan and Mr. Hemant Dhanu have an experience of over a decade in the shipping industry. Mr. Hemant Dhanu has worked overseas and Mr. Prafulla Ranjan has an experience in shipping services and management. Acuité believes that the experience of the directors will help the business to grow.

Weaknesses

- **Nascent Stage of Operations**

SMPL commenced operations in August 2018 and registered revenue of Rs. 3.50 crore till November 2018. Further, the company expects revenue of ~Rs. 10.00 crore in FY2019. Acuité believes that the company's ability to scale up operations will remain crucial to maintain a stable credit risk profile.

- **Susceptibility of the cash flows to cyclicalities in the shipping industry**

Shipping is a global industry and its prospects are intricately linked to the level of economic activity in the world. As SMPL is involved in movement of dry bulk cargos and the freight rates for the same are linked to movements in the Baltic Dry Index (BDI). A high BDI index is an indication of a tight shipping supply due to high demand and is likely to create inflationary pressures along the supply chain. A sudden and sharp decline of the BDI is likely to foretell a recession since producers have substantially curtailed their demand leaving shippers to substantially reduce their rates in an attempt to attract cargo.

- **Competitive and fragmented nature of industry**

SMPL operates in a highly competitive and fragmented industry as there is presence of multiple players from both organised as well as unorganised players in the industry.

Outlook: Stable

Acuité believes that SMPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers the expected revenue. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the scale of operations, profitability, capital structure or lengthening of working capital cycle.

Liquidity Position

SPSMPL has begun their commercial operations from August 2018. The cash accruals of the group are estimated to remain around Rs.0.50 – 1.80 crore during 2019-21 while its repayment obligations are estimated to be around Rs. 0.35 – 2.50 crore. The company's operations currently are not working capital intensive. This is marked by lower reliance on working capital borrowings, the cash credit limit in the group remains utilized at 40 percent during the last 12 months period ended December 2018. The group maintains unencumbered cash and bank balances of Rs.0.21 crore as on March 31, 2018. The current ratio of SPSMPL is expected to remain around 1.00. The group is likely to incur capex of Rs.19.00 – 22.00 crore over the medium which is likely to be funded by equity and external borrowing. Acuite believes that the liquidity of the company is likely to be affected adequate over the medium term on account of low cash accruals and major repayments.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	0.03	0.02	0.00
EBITDA	Rs. Cr.	-0.03	0.01	-0.01
PAT	Rs. Cr.	-0.02	0.01	0.00
EBITDA Margin	(%)	-88.99	26.12	-
PAT Margin	(%)	-69.37	47.37	-
ROCE	(%)	-6.00	10.96	4.22
Total Debt/Tangible Net Worth	Times	0.03	-	-
PBDIT/Interest	Times	-3.34	1408.54	-
Total Debt/PBDIT	Times	-0.75	-	-
Gross Current Assets (Days)	Days	2956	272	0.00

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.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	1.00	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE B / Stable

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About Acuité Ratings & Research:

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