



Press Release
BAIJNATH MELARAM PRIVATE LIMITED (ERSTWHILE BAIJNATH MELARAM)
August 12, 2025
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	75.00	ACUITÉ BB+ Stable Downgraded	-
Bank Loan Ratings	150.00	-	ACUITÉ A4+ Downgraded
Total Outstanding Quantum (Rs. Cr)	225.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has downgraded its long term rating to ‘ACUITÉ BB+’ (read as ACUITE double B plus) from ‘ACUITÉ BBB-’ (read as ACUITE triple B minus) on Rs.75.00 crore proposed facility and downgraded short-term rating to ‘ACUITÉ A4+’ (read as ACUITE A four plus) from ‘ACUITÉ A3’ (read as ACUITE A three) on the Rs 150.00 Cr. bank facilities of Bajinath Melaram Private Limited (ERSTWHILE Bajinath Melaram) (BMPL). The Outlook is 'Stable'.

Rationale for Rating

The rating downgrade factors in the decline in BMPL’s operating performance reflected in the significant drop in revenue and operating margins in FY2025 (Prov.), primarily due to the cessation of trading activities and the dismantling of comparatively smaller vessels. The profitability was further impacted by volatility in material prices and lower steel realizations, resulting in losses at operating level. Additionally, the financial risk profile has moderated, with weakened debt protection metrics and increased working capital intensity due to elevated inventory levels. However, the rating continues to draw comfort from the extensive experience of the promoters in the ship-breaking industry, the company’s established operational track record, and its adequate liquidity position supported by low gearing and moderate bank limit utilization.

About the Company

Bajinath Melaram Private Limited (Erstwhile Bajinath Melaram) (BMPL) was established as a partnership firm in 1958. Mumbai-based Bajinath Melaram is involved in the ship-breaking business and the trading of steel products. Later, the firm reconstituted as a private limited company in June 2023. The operations of the company are managed by Mr. Vinod Kumar Melaram Agarwal, Mr. Bhupendkumar Melaram Agarwal and Mr. Nitesh Bhupendkumar Agarwal who collectively have over two decades of experience in the shipbreaking industry. Prior to 1962, BM was solely into trading in steel products. The firm forayed into ship-breaking in 1962 having leased an 85-Meter plot at Alang in Bhavnagar, Gujarat. It has a capacity to accommodate three vessels. The steel trading is carried out from its Mumbai office. The company has successfully achieved a Statement of Compliance (SOC) for HKC from Class NK certification. Furthermore, very recently, the company was also able to get certification for EU SRR (European Union Ship Recycling Regulation) from Class NK as well. The company also holds ISO certifications (ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, and ISO 30000:2009) from a very reputed organization, BUREAU VERITAS. Further, to achieve EUSRR (EU Ship Recycling Regulation), the company has successfully installed an offshore crane, with a capacity of 150 metric tons, in the middle of the sea. This enables the company to lift any part of the vessel directly from the ship to the impermeable floor without dropping any

blocks in the intertidal zone.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of BMPL to arrive at the rating.

Key Rating Drivers

Strengths

Established presence of promoters in the ship recycling industry

BMPL has an established business presence of around four decades in the ship-breaking business, and the promoter family holds more than four decades of experience in the said business line. The business model entails acquiring old ships, dismantling them, and recovering the investment through the sale of scrap and parts. The long presence of management in the industry has resulted in the establishment of healthy relationships with its customers. The company has dismantled over 370 vessels, including submarines, and operates one of the largest yards in Alang. Its specialized infrastructure, such as the offshore crane capable of lifting heavy parts directly to the impermeable floor, enhances operational efficiency and environmental compliance, setting it apart from peers. The promoters are well versed in the price dynamics of the shipbreaking industry and have developed healthy relations with various ship aggregators, which helps in buying ships at competitive rates depending on the market scenario. Further, the company has successfully achieved a Statement of Compliance (SOC) for HKC from Class NK certification. Furthermore, the company was also able to get certification for EU SRR (European Union Ship Recycling Regulation) from Class NK.

Acuité believes that the BMPL will continue to benefit from its experienced management and long track record of operation in the ship demolition industry.

Moderate financial risk profile

The financial risk profile of BMPL remained moderate, marked by a healthy net worth, low gearing, and moderate debt protection metrics. The tangible net worth stood at Rs.25.12 Cr. as on March 31, 2025 (Prov.) compared to Rs.23.44 Cr. in FY2024, reflecting gradual improvement. The company has minimal reliance on long-term debt, with gearing improving to 0.80 times in FY2025 (Prov.) from 0.93 times in FY2024. Debt protection metrics have moderated but remain adequate, with interest coverage ratio (ICR) at 1.93 times and DSCR at 1.13 times in FY2025 (Prov.), declined from 3.55 times and 2.88 times respectively in FY2024. While BMPL continues to rely on non-fund-based facilities like Letters of Credit (LCs) for procurement, the timely retirement of these obligations remains critical. Acuité believes the company's financial risk profile will remain moderate, supported by its conservative capital structure and absence of major long-term debt.

Weaknesses

Decline in Operating Performance and Profitability

BMPL's operating performance has weakened significantly in FY2025 (Prov.), with revenue declining to Rs.154.48 Cr. from Rs.215.63 Cr. in FY2024. This drop is primarily attributed to the cessation of trading activities and the ship-breaking of comparatively smaller vessels during the year. The company also faced external headwinds such as elevated freight costs, which discouraged vessel owners from selling ships for scrap, thereby reducing business volume. Profitability was impacted, with operating margins turning negative at (0.62) per cent in FY2025 (Prov.) compared to 1.81 per cent in FY2024, due to volatility in raw material prices and a sharp decline in steel realizations. Although PAT margins remained positive at 1.09 per cent, they were supported by a one-time bonus, masking the underlying weakness in core operational profitability.

Acuite believes that BMPL's operations may witness a gradual improvement over the near to medium term, supported by its ongoing ship-breaking activities and bids placed for additional vessels. However, the extent of recovery is expected to be modest, given the prevailing industry challenges and cautious market sentiment.

Moderately Intensive Working Capital Operations

BMPL's working capital operations are moderately intensive, marked by an increase in Gross Current Asset (GCA) to 215 days as on March 31, 2025 (Prov.) as against 154 days in FY2024. This rise is primarily driven by a sharp increase in inventory days to 127, following the purchase of a large vessel worth Rs.52.11 Cr. in March 2025. Debtor days also increased to 18 days from 10 days in the previous year, while creditor days rose to 129 days from 86 days. The company's reliance on working capital facilities remains moderate, with average bank limit utilisation for fund-based and non-fund-based facilities stood at 15.2 per cent and 41 per cent respectively for the last 12 months ended April 2025. Acuité believes that the working capital intensity will remain elevated due to the nature of ship-breaking operations and large inventory holdings.

Susceptibility of profitability to volatility in steel prices and fluctuations in foreign exchange rates

BMPL purchases ships ranging from 10,000 MT to 28,000 MT, which take around four to ten months to dismantle, depending on the tonnage of the vessel. During the dismantling period, the inventory buildup is significantly high. The prices of steel are fluctuating, and any adverse movement in the prices impacts BMPL's profitability margin. The vessel purchase transaction is typically denominated in USD and is generally backed by 90- 360 days of letters of credit. Moreover, the scrap sales are typically in the domestic market, with realisations denominated in the Indian rupee. Consequently, BMPL remains exposed to any adverse movement in the foreign currency exchange rate. Any upward revision in the dollar-rupee exchange rate increases the purchase cost of the vessels. Though the group uses forwards to hedge its forex risk, the cover is taken based on management's expectations for forex movement over a longer duration of LC, ranging from 90 to 360 days. Further, the company is also exposed to environmental and regulatory risk as the ship-scraping industry attracts considerable attention for issues relating to environmental pollution, health problems of the labourers, and violations of human rights.

Rating Sensitivities

- Sustain improvement in revenues and profitability.
- Efficient management of working capital cycle resulting in timely buildup of liquid fund for LC retirement.
- Changes in financial risk profile

Liquidity Position **Adequate**

BMPL's liquidity position remains adequate, supported by moderate utilization of working capital limits and minimal long-term debt obligations. The company generated net cash accruals of Rs.2.99 crore in FY2025 (Prov.) against maturing debt obligations of Rs.0.26 crore, indicating sufficient coverage. Projected cash accruals are expected to remain in the range of Rs.1.3–Rs.2.3 crore during FY2026–27. The company does not have any significant long-term borrowings, thereby limiting repayment pressure. The current ratio of the company stands at 1.50 times in FY25(Prov.) along with cash and bank balances standing at Rs 2.50 crore during the same period. Average utilization of fund-based and non-fund-based limits stood at 15.2 per cent and 41 per cent respectively for the 12 months ended April 2025, reflecting prudent liquidity management.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Provisional)	FY 24 (Actual)
Operating Income	Rs. Cr.	154.48	215.63
PAT	Rs. Cr.	1.68	3.03
PAT Margin	(%)	1.09	1.40
Total Debt/Tangible Net Worth	Times	0.80	0.93
PBDIT/Interest	Times	1.93	3.55

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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
14 May 2024	Letter of Credit	Short Term	150.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	75.00	ACUITE BBB- Stable (Assigned)
30 May 2023	Letter of Credit	Short Term	100.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	50.00	ACUITE A3 (Assigned)
22 Nov 2022	Letter of Credit	Short Term	100.00	ACUITE A3 (Assigned)

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.	150.00	Simple	ACUITE A4+ Downgraded (from ACUITE A3)
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	75.00	Simple	ACUITE BB+ Stable Downgraded (from ACUITE BBB-)

Note: Cash Credit of Rs.75 crores is the sublimit of Letter of Credit availed from Punjab National Bank.

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About Acuité Ratings & Research

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