



Rating Rationale

Adel Shipping and Logistics Ltd.

Sept 25, 2017

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of USD 2.6 Millions of Adel Shipping and Logistics Ltd. (ASL)

Particulars

Facility Rated	Amount		Tenure	Rating *	
	Previous	Present		Previous (Sep 2014)	Present
<u>Fund Based</u> ECB	USD 5.81 Million	USD 2.6 Million	Long Term	BWR BBB- Outlook: Stable	BWR BBB- Outlook: Stable reaffirmation
Total	2.6 Million USD				

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

BWR has principally relied upon the Company's Audited financial results up to FY 16, Provisional FY17 financials, projected financials, publicly available information and information/clarification provided by the Company management.

The rating continues to factor, *inter alia*, experienced and professionally qualified management, presence of long term contract, healthy operating and net margins, and reducing loan outstanding. However, the rating is constrained by the Company's limited scale of operations, and ageing fleet.

Analytical Approach

ASL has been evaluated as a stand-alone company; however, it is noted that their entire revenue is derived from one client, viz., Essar Bulk Terminal Ltd.

Key Risk Drivers:

1. **Healthy Operating and Net margins:** The company's two tugs are chartered to Essar Bulk Terminal Ltd., and due to the nature of business, the company has recorded operating margin of 72% and net margin of 31%.



2. **Visibility of Revenue through long term contract:** The contract between ASL and EBTL was entered into in 2010 and is valid for 10 years. The residual loan repayment period is 2 years, and hence the contract period is adequate to cross the maturity date of the loan.
3. **Limited Scale of Operations:** ASLL operates only two Harbour Tugs that have been chartered to Essar Bulk Terminal Ltd (EBTL), and hence scope for any revenue upside is not there. Over the last 4 years, the average revenue per year is around Rs. 18 Cr.
4. **Customer Concentration Risk:** The company operates tugs only for EBTL. There are no plans to grow the business or diversity customers.

Rating Outlook: Stable

BWR believes the ADLL's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About Adel Shipping and Logistics Ltd. (ASLL):

Adel Shipping & Logistics Limited (ASLL) was incorporated in the year 2010. It is wholly owned subsidiary of Adel Shipping Holdings Limited. The company is in to marine and shipping services. At present it has tugs that have been chartered to Essar Bulk Terminal Limited (EBTL) under a long term contract. ASLL has availed long term loan facility amounting to USD 9.49 million from Axis Bank Limited for part-funding the purchase of vessels. Out of the said amount, an amount of USD 2.4 million is outstanding as of August 21, 2017

Adel Shipping & Logistics Limited (ASLL) is operating tugs that have been chartered to EBTL on long term basis. EBTL is engaged in operating Ports & Terminal facilities catering to dry bulk, break-bulk, containers, etc. at Hazira. There is a highly qualified team managing the daily operations of these vessels.



Company's Financial Performance

As per FY17 provisional financials, the company made a net profit of Rs. 5.39 Crore (P.Y Rs. 4.56 Cr) on the revenues of Rs. 17.52 Crore (P.Y Rs. 19.46 Cr). Company's networth was Rs. 29.21 crores with the total debt to Equity ratio of 0.75x.

Rs. Crore	FY17	FY16
	Provisional	Audited
Revenue	17.52	19.46
PBDIT	12.68	14.16
PAT	5.39	4.56
Networth	29.21	23.82
Debt to Equity (Times)	0.75	1.15
Current Ratio (Times)	1.29	2.32

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term/Short Term)	Amount	Rating	31 Dec 2016	2015	Date in 2014
1.	ECB	Long Term	USD 2.6 Million	BWR BBB-(Stable)	Rating Not Reviewed	-	BWR BBB-(Stable)
Total		2.6 Million USD					

Status of non-cooperation with previous CRA (if applicable): Reason and comments N/A

Any other information: N/A



Hyperlink/Reference to Applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Sector](#)

For any other criteria obtain hyperlinks from website

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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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