

**Rating Rationale**

26 Nov 2020

**Akansha Ship Breaking Pvt. Ltd.**

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 35.00 Crores of Akansha Ship Breaking Pvt. Ltd. (ASBPL or ‘the Company’)**

**Particulars**

Facilities**	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (Aug, 2019)	Present
<b>Fund based</b>	<b>(2.00)</b>	<b>(2.00)</b>	<b>Long Term</b>	<b>BWR B Stable</b>	<b>BWR B Stable Reaffirmed</b>
<b>Non Fund Based</b>	<b>35.00</b>	<b>35.00</b>	<b>Short Term</b>	<b>BWR A4</b>	<b>BWR A4 Reaffirmed</b>
<b>Total</b>	<b>35.00</b>	<b>35.00</b>	<b>Rs. Thirty Five Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

**Ratings: Reaffirmed**

**RATING ACTION / OUTLOOK**

BWR has essentially relied upon the firm’s audited financial results of FY17, FY18 and FY19; provisional FY20; financial projections for FY21 and publicly available information and clarifications/information provided by the entity.

The ratings continue to factor in, long standing presence of the Company and extensive experience of the management in the line of business, support from group concerns operating in ship breaking industry as well as concern’s locational advantage. However, the ratings are constrained by



fluctuating revenue stream along with thin profitability and Company's exposure to risks related to inherent cyclicality, forex rates, volatile steel prices and to regulatory changes.

BWR believes the **Akansha Ship Breaking Private Limited**'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. Going forward, entity's ability to infuse capital/ strengthen capital structure, increase its scale of operations on sustainable basis with steady business performance remain as key rating sensitivity

## **KEY RATING DRIVERS**

### **Credit Strengths:**

- **Extensive experience of promoters:** Established track record in the business as the Company is active since 1999. The promoters have experience of more than three decades in the line of activity. The established presence and long standing relationships with various stakeholders across the value chain has supported the performance across the business cycles.
- **Locational Advantage:** ASBPL is located in Alang – Sosiya Ship Breaking yard, world's largest shipbreaking yard which ensures easy availability of ship, labour and infrastructure.

### **Credit risks:**

- **Fluctuating revenue stream along with thin profitability:** The Company has a fluctuating revenue stream due to the inherent nature of the ship breaking industry as the revenue and profitability of the company is highly dependent on external factors such favourable foreign exchange rates, number of ships purchased and size of the plot area. Due to unfavourable market conditions, the Company opted to reduce the ship dismantling activities in FY20. The company has not purchased any ship in FY20 and in current year. The company is negotiating to buy a small ship in Dec 2020 and expecting revenue of around ~12 Crs from ship breaking activities in Q4FY21.
- **Company's exposure to risks related to inherent cyclicality, forex rates, volatile steel prices and to regulatory changes:** The shipbreaking industry is cyclical. The company has to compete with other players for better deals among limited availability of vessels. Domestic players also face competition from shipbreakers in China, Bangladesh, and Pakistan. Exposure



to fluctuations in forex rates persists because ships are imported and forex position remains uncovered for a long duration due to open LCs. Government policies, such as pollution control norms and duties structure, also affect the segment. The profitability is also exposed to volatile steel prices

## **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

While assigning the Ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

## **RATING SENSITIVITIES**

### **Positive:**

- Sustained capital structure with TOL/TNW ratio below 2.5 times with steady business performance
- Steady improvement in risk management practices and cash accruals
- Optimum Working Capital utilization

### **Negative:**

- Sharp rise in leverage over 3.5 times or losses on account of low scrap realization or volatile forex rates
- Inability to strike competitive deals for ship purchase
- Stretched working capital cycle adversely impacting the financial profile.

## **LIQUIDITY INDICATORS: Adequate**

The Company's liquidity remains adequate. The company does not have any term debt repayment obligations. Total Debt consists of Unsecured loans from promoters, friends and family. Fund based utilization as on year end for last 4 years - Nil. Bank limit utilization is minimal for past 12 months as there were almost no business activities. Leverage structure is moderately comfortable. The current ratio stood comfortable at 3.46 times for FY19.



## COMPANY PROFILE

Akansha Ship Breaking Pvt Ltd was set up in 1999 in Sosiya belt of Bhavnagar district by Mr Anil Kumar Jain and Mrs. Kamladevi Jain. ASBPL purchases ships directly from ship owners or through sales agents for recycling them. Items like electrical equipment, machine parts, etc. are sold directly to end users. While scrap is sold in the market to scrap traders and manufacturing units, who use the scrap to produce steel. The company has an associate concern namely Akhil Ship Breakers Pvt. Ltd. (BWR B+ Stable/A4 - Oct 2020)

## KEY FINANCIAL INDICATORS

Key Parameters	Units	2018	2019
Result Type		Audited	Audited
Operating Revenue	₹ Cr	21.23	38.78
EBITDA	₹ Cr	(0.13)	0.27
PAT	₹ Cr	0.16	0.25
Tangible Net worth	₹ Cr	4.31	4.56
Total Debt/Tangible Net worth	Times	0.29	1.17
Current Ratio	Times	2.27	3.46

The company did not purchase any ship in FY20. As per the provisional FY20, the company has achieved revenue of 0.39 Crs along with net profit of 0.19 Crs for FY20. For current year, it is expected that the performance of FY20 would continue as the company has yet not purchased any ship in the current year.

**KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED - Not applicable**

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY (IF ANY):**

India Ratings has migrated the rating to Issuer not cooperating category on 24 July 2019.

**RATING HISTORY FOR THE PREVIOUS THREE YEARS (including withdrawal and suspended)**

Instrument Facilities	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount Rs. Crs.	Rating	Aug 2019	2018	2017
<b>Fund based Cash Credit Proposed Loan</b>	<b>Long Term</b>	<b>(2.00)</b>	<b>BWR B Stable Reaffirmed</b>	<b>BWR B Stable</b>	-	-
<b>Non Fund Based</b>	<b>Short Term</b>	<b>35.00</b>	<b>BWR A4 Reaffirmed</b>	<b>BWR A4</b>	-	-
<b>Total</b>		<b>35.00</b>	<b>Rs. Thirty Five Crores Only</b>			

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

**General Criteria**

**Approach to Financial Ratios**

**Manufacturing Companies**

**Short Term Debt**

<b>Analytical Contacts</b>	
<b>Priya D</b> <b>Senior Ratings Analyst</b> <b>B :+91 79 66174046 / 47</b> <b>priya.d@brickworkratings.com</b>	<b>Dileep Singh</b> <b>Director - Ratings</b> <b>B :+91 79 66174046 / 47</b> <b>dileep.s@brickworkratings.com</b>
<b>1-860-425-2742</b>	<b>I media@brickworkratings.com</b>

**Akansha Ship Breaking Pvt. Ltd.**

**ANNEXURE I**

**Details of Bank Loan Facilities rated by BWR**

<b>Name of the Bank</b>	<b>Type of Facilities</b>	<b>Long Term Rs. Crs.</b>	<b>Short Term Rs. Crs.</b>	<b>Total Rs. Crs.</b>
Punjab National Bank	Cash Credit	(2.00)	0.00	(2.00)
	Letter of credit	0.00	35.00	35.00
<b>Total</b>	<b>Rs 35.00 Crs</b> <b>Rs. Thirty Five Crores Only</b>			

**For print and digital media** The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non-convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR



has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

**DISCLAIMER :** Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. [hereafter referred to as "Instruments"]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.

The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgement obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.

Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, "BWR Party") guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.



BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, [www.brickworkratings.com](http://www.brickworkratings.com). More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.