



Rating Rationale

Akansha Ship Breaking Pvt. Ltd.

7 Aug 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 35.00 Crores of Akansha Ship Breaking Pvt. Ltd..

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	(2.00)	Long Term	BWR B Pronounced as BWR Single B Outlook:Stable
Non Fund Based	35.00	Short Term	BWR A4 Pronounced as BWR a Four
Total	35.00	INR Thirty Five Crores Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the company's audited financial results upto FY18, FY19 provisional financials as well as publicly available information and the information/clarifications provided by the company.

The Rating has factored in, established 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 rating is constrained by, low profit margins, margins vulnerable to volatile steel prices, cyclical nature of shipbreaking industry and fluctuations in the forex rates. Going forward, concern's ability to infuse capital, increase its scale of operations and hedge its forex risk remain as key rating sensitivity



Description of Key Rating Drivers

Credit Risks:

- ASBPL has low yet marginally improving profit margins reflected by NPM and OPM at 0.73% and -0.64% in FY18 improved to 0.95% and 0.24% in FY19 (Provisional) respectively.
- The company is exposed to volatile steel prices and cyclical nature of ship breaking industry.
- Margins vulnerable to forex fluctuations to the extent of unhedged positions.
- Companies situated in Alang – Sosiya belt extensively use “Beaching Method” to recycle the ship. This method is not environmentally friendly, hence the company is exposed to international regulations and government regulations.
- The company faces intense competition coming from international and local players.

Credit Strengths:

- Established track record in the business as the firm is active since 1999.
- ASBPL derives strength from extensive experience of promoters in the ship breaking industry as well as group support from other firms engaged in ship breaking.
- Total operating income has increased from FY18 to FY19 from Rs 21.23 Crs to Rs 38.78 Crs respectively.
- Located in Alang – Sosiya Ship Breaking yard, which has more than 90% share in the Ship Breaking Industry.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook:Stable

BWR believes the **Akansha Ship Breaking Pvt. Ltd.** 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 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Akansha Ship Breaking Pvt Ltd was set up in 1999 in Sosiya belt of Bhavnagar district by Mr Anil Kumar Jain and 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.

Company Financial Performance

Total operating income has increased from FY18 to FY19 (Provisional) from Rs 21.23 Crs to Rs 38.78 Crs respectively. Similarly profit margins have also improved from 0.73% in FY18 to 0.95% in FY19. As per scale of operations and level of debt, TNW remains moderately low at Rs 4.68 Crs as on 31st March 2019.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1.	Fund Based	Long Term	(2.00)	BWR B Pronounced as BWR Single B Outlook:Stable	NA	NA	NA
2.	Non Fund Based	Short Term	35.00	BWR A4 Pronounced as BWR a Four			
Total			35.00	₹ Thirty Five Crores Only			

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

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	21.23	3.69
EBITDA	₹ Cr	(0.13)	0.08
PAT	₹ Cr	0.16	0.02
Tangible Net worth	₹ Cr	4.31	4.15
Total Debt/Tangible Net worth	Times	0.29	0.29
Current Ratio	Times	2.27	2.70



Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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