

RATING RATIONALE

Akhil Ship Breakers Pvt. Ltd.

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of ₹. 30.00 Crores of Akhil Ship Breakers Pvt. Ltd.

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Aug, 2019)^	Present
Fund based	(2.00)	(2.00)	Long Term	BWR B+ Stable	BWR B+ Stable Reaffirmed
Non Fund Based	30.00	30.00	Short Term	BWR A4	BWR A4 Reaffirmed
Total	30.00	30.00	INR Thirty Crores Only		

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

^Rating not reviewed advisory issued on 10 Aug, 2020.

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

BWR has essentially relied on Audited financials upto FY19, provisional financials for FY20, publicly available information and information & clarifications provided by management.

The rating draws comfort from experienced promoters and locational advantage. However, the rating is constrained by low scale of operation, moderate financial debt metrics and cyclicity in the ship breaking industry.

BWR believes that Akhil Ship Breakers Pvt Ltd (ASBPL) business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced Promoters** : The Company's Promoters have more than two decades experience in the industry and their long established presence helps them take timely decisions on the purchase of ships after evaluation of market conditions.
- **Favorable Location** : The Company is Located in Alang – Sosiya Ship Breaking yard. Alang has majority share of India's overall Ship Breaking Market.

Credit Risks:

- **Low Scale of Operation** : The revenue trend has remained fluctuating and the scale of operation is low. The Company has achieved a total operating income of Rs. 23.31 Crores in FY19 against a TOI of Rs. 17.19 Crores in FY18. As per management certified provisional financials as on 31st March, 2020, the Company has reported a sales of Rs. 12.53 Crores.
- **Moderate financial debt metrics:** Ship purchases are entirely backed by LCs. Thus, the Company's high dependence on LC - backed purchasing increased the TOL/TNW from 4.01 time for FY18 to 7.56 times for FY19. Gearing position is moderate with Debt/TNW at 1.72 x due to absence of any major long term liabilities. Tangible net worth is low at Rs. 4.21 Crs in FY19.
- **Cyclicality in the ship-breaking industry** and fluctuations in steel scrap prices & forex rates will continue to constrain the firm's credit risk profile. Stringent environmental regulations may adversely impact the ship-breaking industry, thereby moderating revenue growth.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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 SENSITIVITIES

Positive:

- Substantial and sustainable growth in revenue with stable profitability and higher net cash accrual.
- Improvement of financial risk profile and better management of liquidity.

Negative:

- Fall in revenue and deterioration in profit margins with decline in cash accruals.
- Deterioration of financial risk profile and stretched working capital cycle.



LIQUIDITY POSITION: Adequate

Liquidity position of the company is adequate due to absence of any major long term borrowing from the banks and financial institutions. The company has adequate sanctioned credit facility to manage the operation.

COMPANY PROFILE

Akhil Ship Breakers Pvt. Ltd. was incorporated in 1999 for carrying out an activity of ship breaking at Alang-Sosiya, Bhavnagar, Gujarat. The company is being managed by Mr. Anil Jain and Mr. Manish Jain.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Operating Revenue	Rs.Crs.	17.19	23.31
EBITDA	Rs.Crs.	0.42	0.28
PAT	Rs.Crs.	0.24	0.26
Tangible Net Worth	Rs.Crs.	3.95	4.21
Total Debt/Tangible Net Worth	Times	0.62	1.72
Current Ratio	Times	1.17	0.88

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NIL

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY (INCLUDING WITHDRAWAL AND SUSPENSION)

Instrument / Facilities	Current Rating			Rating History [^]		
	Tenure	Amount (₹ Cr)	Rating	07 Aug, 2019	2018	2017
Fund Based	Long Term	(2.00)	BWR B+ Stable Reaffirmed	BWR B+ Stable	-	-
Non Fund Based	Short Term	30.00	BWR A4 Reaffirmed	BWR A4 Reaffirmed	-	-
Total		30.00	INR Thirty Crores Only			

[^]Rating not reviewed advisory issued on 10 Aug, 2020.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

Analytical Contacts	Investor Contacts
<p>Siddharth Shah Rating Analyst Board: +91 79 661 74046/47 siddharth.s@brickworkratings.com</p> <p>Dileep Singh Director – Ratings Board: +91 79 661 74046/47 dileep.s@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>



Akhil Ship Breaker Pvt Ltd

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
1	Punjab National Bank	Fund Based: (Sub Limit: CC)	(2.00)	-	(2.00)
		Non Fund Based: ILC/FLC	-	30.00	30.00
TOTAL					30.00

Total Rupees Thirty Crores only.

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 partners. 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 (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.