



## Rating Rationale

28 Oct 2020

### Ashish Ship Breakers Pvt. Ltd

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 50.00 Crores of Ashish Ship Breakers Pvt. Ltd.

#### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (July, 2019)	Present
Fund Based	(1.00)	(1.00)	Long Term	BWR BB (Stable)	BWR BB (Stable) Reaffirmed
Non-fund Based	50.00	50.00	Short Term	BWR A4+	BWR A4+ Reaffirmed
<b>Total</b>	<b>50.00</b>	<b>50.00</b>	<b>Rupees Fifty 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

#### RATING ACTION/OUTLOOK:

BWR has essentially relied upon the audited financial results of up to FY19, Management Certified Provisional Financials of FY20, and Publicly available information and clarifications provided by the Firm's management.

The rating reaffirmation draws strength from the promoters' extensive experience in the ship breaking industry, locational advantage since it is situated in Alang Ship Breaking Yard. Though the rating remains constrained on account of not purchasing the ships in the last two fiscals. The profit margins are vulnerable to volatility in the prices of steel and adverse fluctuations in forex rates.

#### Description of Key Rating Drivers

#### Credit Strengths:

- Experienced Management:** - The Firm is promoted by Mr Ashish Agarwal, who has experience of more than a decade in the ship breaking business. The Company's long standing presence in the industry provides benefits in terms of easy procurement of ships at reasonable prices.



- **Moderate financial risk profile** : The financial risk profile of the firm is moderate; marked by tangible net worth of Rs. 6.97 crores as on 31st March, 2019 and absence of long term liabilities. Debt protection metrics of the company have also remained at comfortable levels reflected by ISCR at 3.56x in FY20. The receivable days are comfortable at 11 days in FY18 & 20 days in FY19.

#### **Credit risks:**

- **Modest scale of operations** : The Company has achieved a net profit of Rs. 0.36 Crs on a TOI of Rs. 43.62 Crs in FY19 against a PAT of Rs. 1.06 Crs on a TOI of Rs. 73.13 Crs in FY18. As per management certified provisional financials as on 31.3.2020, the company has achieved the sales of Rs.14.88 Crs mainly from trading activity of imported scraps. The company has not purchased any ship in the last two fiscals due to absence of any attractive opportunity. However, going forward the revenue may decline due to economic slowdown and adverse impact of COVID19.
- **Profits susceptible to fluctuations in foreign exchange rates & steel prices** : It takes around four to five months on an average to completely dismantle a ship and generate revenue. Hence, the Company has an inventory risk for ships that are under the process of breaking due to the time lag involved between the ship's purchases and selling of scrap, given the high volatility faced in steel prices. While the Company hedges such risks by booking forward contracts, it remains exposed to adverse movement in exchange rates. Operating profit margins are thin due to high raw material cost and vulnerable due to steel price fluctuations.
- **Vulnerability due to intense competition and Restricted by regulatory norms** - The Company faces intense competition from large and small existing players operating at Bhavnagar as well as neighbouring countries. The industry is regulated by strict pollution control norms because of the hazardous nature of asbestos, lead, and other acids and chemicals contained in ships.

#### **Rating sensitivities:**

**Positive:** Overall improvement in the financial risk profile of the Company supported by infusion of additional funds by the way of unsecured loans and capital and growth in operations & profitability will be positive for ratings.

**Negative:** Any deterioration in the financial risk profile coupled with decline in operating revenue and profit margins, gearing, debt protection coverage etc., will be negative for the ratings.

#### **Liquidity Profile : Adequate**

The Company's working capital cycle is comfortable as reflected in low receivable days and inventory holding level. The company's liquidity remained adequate as demonstrated by



comfortable surplus available in the form of receivables, and current investments. Going further, the company’s ability to purchase the ship will remain the key rating sensitivity. Timely fund infusion to ensure debt servicing will remain a key rating sensitivity.

**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).

**About the Company :**

Ashish Ship Breakers Pvt Ltd was established in 1999 at Bhavnagar based “Ashish” Group, engaged in ship breaking & scrap trading business. The Company is promoted by Mr. Ashish H Agarwal and Mrs. Sonia Agarwal, at allotted plots at Alang Shipyard by Gujarat Maritime Board (GMB), Alang-Sosiya belt of Bhavnagar region of Gujarat. The company is engaged in the business of ship-breaking activity through .

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

S.No	Facility	Current Rating (2020)*			Rating History		
		Type	Amount (₹ Crs)	Rating	9July2019	30July2018	18July2017
1	<b>Fund Based:</b>	<b>Long Term</b>	<b>(1.00)</b>	<b>BWR BB (Stable) Reaffirmed</b>	<b>BWR BB (Stable)</b>	<b>BWR BB (Stable)</b>	<b>BWR BB (Stable)</b>
2	<b>Non Fund Based:</b>	<b>Short Term</b>	<b>50.00</b>	<b>BWR A4+ Reaffirmed</b>	<b>BWR A4+</b>	<b>BWR A4+</b>	<b>BWR A4+</b>
	<b>Total</b>		<b>50.00</b>	<b>Rupees Fifty Crores Only</b>			

\*Rating not reviewed advisory issued on 10th July, 2020.

**Status of non-cooperation with previous CRA (if applicable)- Not Applicable**

**Key Financial Indicators**

<b>Key Parameters</b>	<b>Units</b>	<b>FY18</b>	<b>FY19</b>
<b>Result Type</b>		<b>Audited</b>	<b>Audited</b>
Operating Revenue	Rs. in Crs	43.62	73.13
EBITDA	Rs. in Crs	2.04	1.36
PAT	Rs. in Crs	0.36	1.06
Tangible Net worth	Rs. in Crs	6.97	6.61
Total Debt/Tangible Net worth	Times	0.42	0.68
Total Outside Liabilities / Tangible Net Worth	Times	0.29	2.57
Current Ratio	Times	3.88	1.30

**Hyperlink/Reference to applicable Criteria**

- **General Criteria**
- **Approach to Financial Ratios**
- **Short Term Debt**

<b>Analytical Contacts</b>	
<p><b>Kunjal Dabhi</b>  <b>Rating Analyst</b>  <b>B :+91 79 66174046 / 47</b>            kunjla.r@brickworkratings.com</p>	<p><b>Dileep Singh</b>  <b>Director - Ratings</b>  <b>B :+91 79 66174046 / 47</b>            dileep.s@brickworkratings.com</p>
1-860-425-2742	I <a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>



**Ashish Ship Breakers Pvt Ltd**

**ANNEXURE I**

**Details of Bank Facilities rated by BWR in May, 2019**

Sl.No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Punjab National Bank	Fund Based Cash Credit	(1.00)	-	(1.00)
2	Punjab National Bank	Non Fund Based ILC/FLC - Ship Breaking	-	50.00	50.00
		<b>Total</b>	<b>(1.00)</b>	<b>50.00</b>	<b>50.00</b>

**Total ₹ Fifty Crores Only.**

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**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.