

Rating Rationale

Ashish Ship Breakers Pvt Ltd

30 July 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 50.00 Crores of Ashish Ship Breakers Pvt Ltd. ('ASBPL' or 'The Company')

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (July, 2017)	Present
Fund based	(50.00)	(1.00)	Long Term	BWR BB (Pronounced as BWR Double B) Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable [Reaffirmed]
Non Fund Based	50.00	50.00	Short Term	BWR A4+ (Pronounced as BWR A four Plus)	BWR A4+ (Pronounced as BWR A four Plus) [Reaffirmed]
Total	50.00	50.00	Rupees Fifty Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Long term and Short term rating reaffirmed.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the company’s audited financial results of FY15 to FY17, provisional financial results of FY18, projections of FY19, publicly available information and clarifications/information provided by the management.

The rating reaffirmation essentially captures adequate experience of the promoters in the line of activity, comfortable gearing and liquidity position and locational advantages. The rating also considers the established track record in the business as the company is active since 1999. However, the rating is constrained by a low profitability. The rating also takes into account that 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 and the company faces intense competition coming from international and local players.

The ability of the company to achieve the projections, to improve the profitability, to maintain its working capital efficiently and to improve its overall financial risk profile shall be the key rating sensitivity.

Description of Key Rating Drivers:

Credit Strengths:

- Adequate experience of the promoters in the line of activity.

- Established track record in the business as the company is active since 1999.
- Gearing and Liquidity position is comfortable in FY18 (Provisional).
- Located in Alang – Sosiya Ship Breaking yard, which has more than 90% share in the Ship Breaking Industry.

Credit risks:

- The profitability is low.
- 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 environment friendly, hence the company is exposed to international regulations and government regulations.
- The company faces intense competition coming from international and local players.

Analytical Approach:

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 Outlook: Stable

BWR believes the **Ashish Ship Breakers Pvt Ltd’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 ‘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:

Ashish Ship Breakers Pvt Ltd was established in 1999 as a private limited Company and belongs to Bhavnagar based “Ashish” Group, which is engaged in ship breaking & scrap trading business. The Company is promoted by Mr. Ashish H Agarwal and Mrs. Sonia Agarwal, having experience of more than a decade in ship-breaking business in the Alang-Sosiya belt of Bhavnagar region of Gujarat. The company is engaged in the business of ship-breaking activity through allotted plots at Alang Shipyard by Gujarat Maritime Board (GMB). The company 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 the scrap is sold in the market to scrap traders and manufacturing units, who use the scrap to produce steel.

Company Financial Performance:

In FY18 (Provisional), the company has achieved a TOI of Rs. 73.13 Crs against a TOI of Rs. 67.29 Crs in FY17. The company has recorded a PAT of Rs. 1.44 Crs in FY18 (Provisional) against a PAT of Rs. 1.32 Crs in FY17.

Rating History for the last three years:

Sl. No.	Instrument /Facility	Current Rating (Year 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	18 July 2017	2016	2015
1	Fund Based	Long Term	(1.00)	BWR BB (Pronounced as BWR Double B) Outlook: Stable [Reaffirmed]	BWR BB (Pronounced as BWR Double B) Outlook: Stable	-	-
2	Non Fund Based	Short Term	50.00	BWR A4+ (Pronounced as BWR A four Plus) [Reaffirmed]	BWR A4+ (Pronounced as BWR A four Plus)	-	-
Total : Rs. 50.00 Crs (Rupees Fifty Crores Only)							

Status of non-cooperation with previous CRA:

CARE on 04 September 2017 has reaffirmed the rating of Ashish Ship Breakers Pvt Ltd to CARE BB/Stable & CARE A4+(Issuer not co operating; Based on best available information).

Any other information: -

Key Financial Indicators

Key Financial Figures			
Particulars	Unit	FY17 (Audited)	FY16 (Audited)
Operating Income	Rs. Crores	67.29	66.67
EBITDA	Rs. Crores	2.34	0.77
PAT	Rs. Crores	1.32	0.48
Tangible Net Worth	Rs. Crores	5.55	4.23
Total Debt	Rs. Crores	4.96	6.11
Total Debt : Equity	Times	0.89	1.45
Current Ratio	Times	5.65	1.47

Ashish Ship Breakers Pvt Ltd

Annexure-I

Details of Bank Facilities

Name of the Bank	Facilities	Tenure	Amount (Rs. Cr)	
			Previous Limits	Present Limits
Punjab National Bank	Cash Credit - Ship Breaking	Long Term	(9.50)	(1.00)
Punjab National Bank	Cash Credit - Factory Dismantling	Long Term	(9.50)	(1.00)
Punjab National Bank	Cash Credit - Ship Dismantling	Long Term	(50.00)	-
Punjab National Bank	ILC/FLC/ILG/FLG/BC - Ship Breaking	Short Term	50.00	50.00
Punjab National Bank	ILC/FLC/ILG/FLG/BC - Trading	Short Term	(50.00)	-
Total			50.00	50.00

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)
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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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

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.