

Rating Rationale

Ashish Ship Breakers Pvt Ltd

9 July 2019

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, 2018)	Present
Fund based	(1.00)	(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 FY16 to FY18, provisional financial results 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.
- 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.

Liquidity position:

The liquidity position of the company is comfortable in FY19. The company has adequate bank facilities sanctioned to manage its operations.

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 scrap is sold in the market to scrap traders and manufacturing units, who use the scrap to produce steel.

Company Financial Performance:

In FY19 (Provisional), the company has recorded a TOI of Rs. 43.62 Crs against a TOI of Rs. 73.13 Crs in FY18. The company has recorded a PAT of Rs. 0.72 Crs in FY19 (Provisional) against a PAT of Rs. 1.06 Crs in FY17.

Rating History for the last three years:

Sl. No.	Instrument /Facility	Current Rating (Year 2019)			Rating History		
		Type	Amount (Rs Crs)	Rating	30-Jul-2018	18-Jul-2017	2016
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	BWR BB (Pronounced as BWR Double B) Outlook: Stable	NA
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)	BWR A4+ (Pronounced as BWR A four Plus)	NA
Total : Rs. 50.00 Crs (Rupees Fifty Crores Only)							

Status of non-cooperation with previous CRA:

CARE on 15 Nov 2018 has revised the rating of Ashish Ship Breakers Pvt Ltd to CARE BB-/Stable & CARE A4 (ISSUER NOT COOPERATING) on account of non-availability of sufficient information from the client.

Any other information: - NA

Key Financial Indicators

Key Financial Figures			
Particulars	Unit	FY17 (Audited)	FY18 (Audited)
Operating Income	Rs. Crores	67.29	73.13
EBITDA	Rs. Crores	2.34	1.36
PAT	Rs. Crores	1.32	1.06
Tangible Net Worth	Rs. Crores	5.55	6.61
Total Debt	Rs. Crores	4.96	4.49
Total Debt : Equity	Times	0.89	0.68
Current Ratio	Times	5.65	1.30

Ashish Ship Breakers Pvt Ltd

Annexure-I

Details of Bank Facilities

Facilities	Tenure	Amount (Rs. Cr)	
		Previous Limits	Present Limits
Cash Credit - Ship Breaking	Long Term	(1.00)	(1.00)
Cash Credit - Factory Dismantling	Long Term	(1.00)	(1.00)
ILC/FLC/ILG/FLG/BC - Ship Breaking	Short Term	50.00	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.

DISCLAIMER

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