



RATING RATIONALE

21 Oct 2020

Atam Manohar Ship Breakers Pvt Ltd

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 69.85 Crores of Atam Manohar Ship Breakers Pvt Ltd (AMSBPL or the company).

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (June, 2020)	Present
Fund based ¹	(10.27)	(10.27)	Long Term	BWR BB-/Stable	BWR BB-/Stable Reaffirmed
Non Fund Based	69.85	69.85	Short Term	BWR A4	BWR A4 Reaffirmed
Total	69.85	69.85	(INR Sixty Nine Crores and Eighty Five Lakhs Only)		

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

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

¹CC limit as sub-limit of LC of Rs. 10.27 Crs within the overall LC limit of Rs. 68.50 Crs

RATING ACTION /Outlook:

The reaffirmation of the rating continues to factor in more than 2 decades of experience of the promoters in the ship breaking industry and average financial risk profile marked by moderate debt protection metrics.

These strengths are partially offset by the relatively modest size of operations of the company, cyclicity associated with the ship breaking business, high reliance on LC backed purchases, exposure to environmental and regulatory risk and susceptibility of profitability margins to adverse exchange rate fluctuations and volatile metal prices.

BWR believes the Atam Manohar Ship Breakers 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.



KEY RATING DRIVERS

Credit Strengths:

- Extensive experience of the promoters with more than 2 decades of experience in the ship breaking industry.
- Average financial risk profile marked by moderate debt protection metrics reflected by ISCR (Interest service coverage ratio) of 1.84 Times in FY20 (A) as against ISCR of 1.99 Times in FY19 (A).

Credit Risks:

- Cyclical nature associated with the ship breaking business, where the prospects are linked to international shipping business.
- The company's profit margin continues to be modest because of low value addition. Ship purchases are entirely backed by letter of credit facilities (LCs), resulting in the company's high dependence on LC-backed purchasing. TOL/TNW stood at 0.95 times in FY20 which improved from 3.46 Times in FY19 (A) mainly due to lower Ship procurement in FY20.
- Exposure to environmental and regulatory risk that is inherent in the ship breaking business and cyclical nature of the end user (steel) industry, which could impact the off take and revenue realization.
- Susceptibility of profitability margins to adverse exchange rate fluctuations and volatile metal prices.

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: Improvement in the scale of operations by about 10-15% annually on a sustainable basis coupled with expansion in operating profit margins leading to an improvement in the credit metrics will be positive for the ratings.

Negative: Significant Deterioration in the scale of operations and/or Decline in operating margins or stretch in working capital cycle will be negative for the ratings.

LIQUIDITY POSITION: Stretched

The current ratio of the company stood at 2.07 times in FY20 (A) as against 1.34 times in FY19. Cash & cash equivalent as of 12-Oct-2020 stood at Rs. 0.07 Cr and amount in fixed deposit account stood at Rs. 12.77 Crs as of 06-Oct-2020. (Fixed deposit amount of Rs. 12.77 is completely pledged). Relief measures, such as a moratorium on debt servicing, as notified by the Reserve Bank of India (RBI) on 27 March 2020, was availed by the company.



COMPANY PROFILE

Established in 1997, Atam Manohar Ship Breakers Pvt. Ltd. (AMSBPL) is engaged in ship breaking and recycling business. The Company's registered office is at Bhavnagar, Gujarat and operates in Alang (plot of 3700 sq mts). The Company is promoted by Mr. Anil Jain having extensive experience in the business. The company has a capacity to break ships ranging up to 50000 tonnes.

KEY FINANCIAL INDICATORS (in Rs. Cr)

Key Parameters	Units	FY19	FY20
Result Type		Audited	Audited
Total Operating Income	Rs. Crs	116.90	71.07
Ebitda	Rs. Crs	4.35	2.45
PAT	Rs. Crs	1.25	0.74
TOL/TNW	Times	3.46	0.95
Current Ratio	Times	1.34	2.07

For the period April-2020 to Sep-2020, the company has achieved revenue of Rs. 25.66 Crs vis-à-vis revenue of Rs. 40.10 Crs for the period April-2019 to Sep-2019.

Rating History for the last three years (Including withdrawal and suspended):

SI. No.	Instrument/Facility	Current Rating (2020)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs. Crs)	Rating	June-2020	Sep-2019	Sep-2018
1	Fund Based ¹	Long Term	(10.27)	BWR BB-/Stable	BB-/Stable /A4	BB-/Stable e/A4	BWR B+/Stable/A4
2	Non Fund Based	Short Term	69.85	BWR A4			
Total			69.85	(INR Sixty Nine Crores and Eighty Five Lakhs Only)			

¹CC limit as sub-limit of LC of Rs. 10.27 Crs within the overall LC limit of Rs. 68.50 Crs.

NA: Not Available

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

Any other information: NIL

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**
- **Manufacturing Companies**
- **Short Term Debt**

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Previous Amount (Rs. Crs)	Present Amount (Rs. Crs)
1	State Bank of India	Cash Credit ¹	(10.27)	(10.27)
		Letter of Credit (LC)	68.50	68.50
		Credit Exposure Limit	1.35	1.35
Total			69.85	69.85

¹CC limit as sub-limit of LC of Rs. 10.27 Crs within the overall LC limit of Rs. 68.50 Crs

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