

Rating Rationale

Atam Manohar Ship Breakers Pvt Ltd

12 Sep 2018

Brickwork Ratings reaffirms the ratings for the bank loan facilities of Atam Manohar Ship Breakers Pvt Ltd (AMSBPL or the Company).

Particulars

Facility	Previous Limits (Rs. Crs)	Present Limits (Rs. Crs)	Previous Rating (November 2017)	Present Rating*
Fund Based				
Cash Credit	1.00	6.00	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable Reaffirmed
Non Fund Based				
Letter of Credit	67.50	62.50	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) Reaffirmed
Credit Exposure Limit	1.35	1.35		
Bank Guarantee	(0.40)	(0.40)		
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.

Rating: Reaffirmed

Rationale:

The rating for bank loan facilities of Rs. 69.85 Crs, factors the extensive experience of the promoters with more than 2 decades of experience in the ship breaking industry and Average financial risk profile marked by fair debt protection metrics reflected by ISCR of 2.31 Times in FY18 and DSCR of 1.33 times in FY18 as against ISCR of 1.53 Times in FY17 and DSCR of 1.26 Times in FY17.

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

Key Rating Drivers:

- Extensive experience of the promoters with more than 2 decades of experience in the ship breaking industry.
- Cyclicity associated with the ship breaking business, where the prospects are linked to international shipping business. Evidently AMSBPL turnover has remained volatile during the period under review.
- High reliance on LC backed purchases leading to TOL/TNW of 3.54 Times in FY18 (A) as against TOL/TNW of 2.15 times in FY17 (A).
- Exposure to environmental and regulatory risk that are inherent in the ship breaking business and cyclical nature of the end user (steel) industry, which could impact the offtake and revenue realization.
- Susceptibility of profitability margins to adverse exchange rate fluctuations.
- Average financial risk profile marked by fair debt protection metrics reflected by ISCR of 2.31 Times in FY18 and DSCR of 1.33 times in FY18 as against ISCR of 1.53 Times in FY17 and DSCR of 1.26 Times in FY17.

Going forward, the ability of the firm to meet its projected turnover and profitability shall be the key rating sensitivities.

Rating Outlook: Stable

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. The rating outlook may be revised to 'Positive' in case the company increases its scale of operations significantly along with improving its profitability margins. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach:

BWR has factored into standalone business and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

About the Company:

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 who has gained extensive 18 years of experience in the business. The company has a capacity to break ships ranging up to 50000 tonnes. On an

average the company breaks ships aggregating to ~40000 tonnes annually, i.e. ~3-5 vessels p.a. Average time taken from ordering to complete breaking is ~4-6 mths.

Company's Financial Performance:

Key Financial Parameters	FY18 (A)	FY17 (A)
Revenue from operations (Rs. Crs)	83.83	100.30
EBIDTA (Rs. Crs)	2.07	2.43
TOL/TNW (times)	3.54	2.15
ISCR (times)	2.31	1.53
DSCR (times)	1.33	1.26

The Tangible net worth of the company stood at Rs. 14.49 Crs as on 31-3-2018.

Rating History for the last three years:

SI. No.	Instrument/Facility	Current Rating (2018)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs. Crs)	Rating	November 2017	September 2016	August 2015
1	Cash Credit	Long Term	6.00	BWR B+/Stable Reaffirmed	BWR B+/A4/Stable	BWR B+/A4/Stable	BWR BB-/A4/Stable
2	Letter of Credit	Short Term	62.50	BWR A4 Reaffirmed			
3	Credit Exposure Limit	Short Term	1.35	BWR A4 Reaffirmed			
4	Bank Guarantee	Short Term	(0.40)	BWR A4 Assigned			
Total			69.85	(INR Sixty Nine Crores and Eighty Five Lakhs Only)			

NA: Not Available

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

Any other information: NIL

Hyperlink/Reference to applicable Criteria

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



For any other criteria obtain hyperlinks from website

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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

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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 ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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