

Rating Rationale

Brickwork Ratings revises/ reaffirms ratings for the bank loan facilities of ₹69.85 Cr of Atam Manohar Ship Breakers Pvt. Ltd

Brickwork Ratings has revised to **BWR B+** (Pronounced BWR B plus) **Rating¹** with Stable Outlook for the long term bank facilities of ₹ 1.00 crores and reaffirmed **BWR A4** (Pronounced BWR A Four) for short term bank facilities of ₹ 68.85 crores of Atam Manohar Ship Breakers Pvt. Ltd (AMSBPL)

Facility	Present Limits (₹ Cr)	Previous Limit (₹ Cr)	Tenure	Ratings based on current review	Previous Rating
<u>Fund Based</u> Cash Credit	1.00	9.00	Long Term	BWR B+ (Pronounced BWR B Plus) (Outlook – Stable)	BWR BB- (Pronounced BWR Double B Minus) (Outlook - Stable)
<u>Non Fund Based</u> Letter of Credit CEL Bank Guarantee	67.50 1.35 (0.40)	84.00 1.68 0.00	Short Term	BWR A4 (Pronounced BWR A Four)	BWR A4 (Pronounced BWR A Four)
Total	69.85	94.68	INR Sixty Nine Crores and Eighty Five Lakhs Only		

BWR has relied upon AMSBPL's audited financial results of up to FY15, provisional financial results of FY16, projected financials of up-to FY18, and information/clarifications provided by the Company.

The revision in ratings takes into account the Company reduction in the scale of operation, considerable decline in the profitability and overall weak scenario towards Ship-Breaking Industry.

The ratings, inter alia, factor promoters' extensive experience in the ship breaking industry, and the Company's comfortable capital structure. The rating, however are constrained by moderate scale of operations, below average financial risk profile marked by low net profitability and weak interest coverage ratio, exposure to foreign exchange fluctuations risk coupled with highly cyclical and fragmented nature of industry.

Company Background and Operations

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. The Company has a capacity to break ships ranging up to 50000 LDT (Laden Deadweight Tonnes). The Company breaks ships aggregating to ~40000 LDT annually, i.e ~3-5 vessels p.a. and average time taken from ordering to complete breaking is ~4-6 mths.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

It presently has 6 ships under breaking operations. Due to significant imports, the Company is considerably exposed foreign exchange rate fluctuation risk. The Company is promoted by Mr. Anil Jain who has gained extensive 17 years of experience in the business.

Financial Performance

AMSBPL registered a 5% revenue decline with net revenues of ₹163.61 crore in FY15 from ₹ 171.84 crore in FY14, further as per the provisional financials for FY16, the company's revenue declined to ₹ 113.74 crore, depicting revenue de-growth of ~30% over revenues of FY15. Operating profit of the company Profit after tax for FY15 stood at ₹ 2.19 crore and ₹0.71 crore respectively as compared to ₹5.61 crore and ₹1.29 crore in FY14.

As per provisional financials for FY16, the company booked operating profit of ₹1.25 crore and profit after tax of ₹0.39 crore. The decline in profitability in FY16 compared can be attributed to adverse dollar rupee movement and weak outlook towards Ship-Breaking Industry.

Outlook

The Outlook is expected to be stable over next year. However going forward the company's ability to improve its scale of operations as well as profitability and maintain comfortable capital structure by timely infusion of equity remain key sensitivity factors.

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