Rating Rationale

Unique Ship Breaking Corporation

05 July 2021

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 45.00 Crores of Unique Ship Breaking Corporation.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (November 2020)	Present
Fund Based	5.00	**5.00**	Long Term	BWR BB- (Stable) Issuer not Cooperating*	**BWR BB- (Stable) [Reaffirmation]**
Non-fund Based	40.00	**40.00**	Short Term	BWR A4 Issuer not Cooperating*	**BWR A4 [Reaffirmation]**
Total	45.00	**45.00**	**INR Forty Five 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

Rationale/Description of Key Rating Drivers/Rating sensitivities:
BWR has essentially relied upon the audited financial statements of Unique Ship Breaking Corporation for FY18, FY19, FY20, provisional financial statements for FY21, projected financials upto FY23, and publicly available information and clarification provided by the organisation's management.
The rating derives strength from the promoter's experience, ships purchases providing revenue visibility and moderate financial risk profile. However, the rating is constrained by limitations associated with partnership firms,working capital intensive nature of operations and strained profitability and a highly competitive industry.

Going forward, the ability of the organisation to improve the scale of operations, profitability, liquidity profile, capital structure by infusion of capital and timely debt servicing will be the key rating sensitivity.

Description of Key Rating Drivers

Credit Strengths-:

- Established track record in the business as the firm has been active since 1982.
- USBC derives strength from extensive experience of promoters in the ship breaking industry as well as group support from other firms engaged in ship breaking.
- The firm has constantly procured ships in the past couple of fiscals and due to new purchases of ships in FY21, there is a visibility of moderate level of revenue in FY22.

- Located in Alang – Sosiya Ship Breaking yard, which has more than 90% share in the Ship Breaking Industry.

Credit risks-:

- The firm is exposed to volatile steel prices and the cyclical nature of the 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 environmentally friendly, hence the company is exposed to international regulations and government regulations.
- The firm faces intense competition coming from international and local players.
- The firm carries the risk of withdrawal of the capital, being a partnership nature of constitution.

Analytical Approach

To arrive 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 Outlook: Stable

BWR believes the **Unique Ship Breaking Corporation** 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

USBC was set up in 2002, as a partnership firm of Mr Sajid Jaka, Mr Sohil Lakhani, and Mr Salim Kaliwala. USBC 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. The company has recently began rolling mill operations wherein, the scrap collected from the ship is processed and sold further.

Company Financial Performance

In FY20 the firm earned a revenue of Rs 41.78 cr with a PAT of Rs 0.24 cr vis-a-vis Rs 47.25 cr & Rs 0.65 cr in FY19. As informed by the management the revenue of the firm is Rs. 53.72 crs for FY21 provisional numbers.

Rating History for the last three years

S.No	Facility	Current Rating (2021)^			Rating History		
		Type	Amount (₹ Crs)	Rating	09Nov2020	12 July 2019	2018
1	Fund Based	Long Term	5.00	BWR BB- (Stable) [Reaffirmation]	BWR BB- (Stable) Issuer not Cooperating*	BWR BB (Stable)	NA
2	Non Fund Based	Short Term	40.00	BWR A4 [Reaffirmation]	BWR A4 Issuer not Cooperating*	BWR A4+	NA
	Total		45.00	INR Forty Five Crores Only			

Status of non-cooperation with previous CRA (if applicable): Crisil B/A4 Issuer not Cooperating dated 18 December 2020.

Key Financial Indicators

Key Parameters	Units	2020	2019
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	41.78	47.27
PAT	₹ Cr	0.24	0.65
Tangible Net worth	₹ Cr	6.93	7.16
Total Debt/Tangible Net worth	Times	1.42	2.22
Current Ratio	Times	1.43	2.07

Annexure I

Unique Ship Breaking Corporation

Bank	Facility	Limit (Rs. in crore)	Tenure	
Bank of India	Cash Credit	5.00	Long Term	BWR BB- (Outlook:Stable)
	Total Fund Based Limit	5.00		
	Letter of Credit	40.00	Short Term	BWR A4
	Total Non-Fund Based Limit	40.00		
	Total	Rs 45.00 Crs INR Forty Five Crores Only		

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
- Short Term Debt

For any other criteria obtain hyperlinks from website

Analytical Contacts	
Parth Agrawal **Rating Analyst** **B :+91 79 66174046 / 47** **parth.a@brickworkratings.com**	**Dileep Singh** **Director - Ratings** **B :+91 79 66174046 / 47** **dileep.s@brickworkratings.com**
1-860-425-2742	**media@brickworkratings.com**

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings
Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters 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 wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.

The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgement obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.

Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, "BWR Party") guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, www.brickworkratings.com. More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.