

## Rating Report

### Brickwork Ratings revises Rating for the Bank Loan Facilities of USD 5.81 million (USD Five Million Eight Hundred Ten Thousand) of Adel Shipping & Logistics Limited

Brickwork Ratings (BWR) has revised the following **Ratings**<sup>1</sup> for the Bank Credit Facilities of Adel Shipping & Logistics Limited (“ASLL” or “the Company”).

Facility	Previous Outstanding Limits	Present Outstanding Limits	Tenure	Revised Rating	Rating History
External Commercial Borrowing (ECB)	USD 7.13 Million	USD 5.81 Million	Long Term	BWR BBB- (BWR Triple B Minus) (Outlook: Stable)	<i>BWR BBB+ (BWR Triple B Plus) (Outlook: Stable) (March 2013)</i>
<b>Total</b>	<b>USD 7.13 Million</b>	<b>USD 5.81 Million</b>			

BWR has principally relied upon the Company’s audited financial results up to FY 13, Provisional FY14 financials, projected financials, publicly available information and information/clarification provided by the Company management.

The revision of ratings primarily factors the continuous and increasing delays in realization of receivables from its sole customer, Essar Bulk Terminal Limited (EBTL), resulting in elongation of operating cycle. The deteriorating credit profile of EBTL is the apparent reason for the stretching of the receivables to almost one year for the last financial year FY14. The rating continues to factor, inter alia, experienced and professionally qualified management, healthy operating and net margins and presence of long term contract. However, the rating is constrained by the Company’s limited scale of operations, high gearing and customer concentration risk.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

## **Background**

Adel Shipping & Logistics Limited (ASLL), incorporated on 8<sup>th</sup> February 2010, is a wholly owned subsidiary of Adel Shipping Holding Limited (ASHL). In FY11, the Company acquired two harbor tugs that have since been chartered to Essar Bulk Terminal Limited (EBTL) under long-term contracts.

ASLL had availed a long term loan facility amounting to USD 9.49 million from Axis Bank Ltd for part-funding the purchase of vessels. Out of the said amount, an amount of USD 5.81 million is outstanding as of July 17, 2014.

## **Management**

The Company is managed by experienced and qualified professionals led by Mr. A.R. Ramakrishnan, the Director of ASLL. Mr. Ramakrishnan is also the Managing Director of Essar Shipping Limited. Mr. Anant Dhandhanian and Mr. Punit Prakash are the other Directors.

## **Operations**

Adel Shipping & Logistics Limited (ASLL) is operating tugs that have been chartered to EBTL on long term basis. EBTL is engaged in operating Ports & Terminal facilities catering to dry bulk, break-bulk, containers, etc. at Hazira. There is a highly qualified team managing the daily operations of these vessels.

## **Financial Performance**

ASLL has posted revenues of ₹18.11 Crores in FY14 against ₹17.92 Crores in FY13. The EBITDA stood at 15.18 Cr in FY14 with Operating margin of 83.82% against operating profit of ₹12.92 Cr in FY13 with an operating margin of 72.10%. The improvement is seen in FY14 as there was no dry docking expenditure in FY14. PAT for FY14 stood at ₹2.77 Cr with PAT margin of 15.32 against ₹0.69 Crores with PAT margin of 3.84% in FY13. Total Debt of ASLL stood at ₹36.67 Crs in FY14 against ₹38.53 Crs in FY13 on account of repayment of ECB. The networth improved to ₹18.17 Crs in FY14 from ₹15.39 Crs in FY13 on account of retention of reserves. The gearing remained high, however slightly improved to 2.02 times in FY14 compared to 2.50 times in FY13. The interest service coverage ratio and debt service coverage ratio were healthy at 7.09 times and 1.76 times respectively. The current ratio stood at 3.54 in FY14 and 2.93 in FY13. The Receivables were stretched further to 363 days in FY14 compared to 280 days in FY13 and the proportion of debtors greater than 6 months also increased.

The audited financial details for the last three years are in the annexures I, II & III

### Rating Outlook

The ability of the Company to improve its receivables collection period, expand its scale of operations, and diversify its client base will be key rating sensitivities.

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## Key Financials of Adel Shipping and Logistics Ltd (ASLL)

### Annexure I: Balance Sheet of ASLL ( ₹Crores)

₹ Crores	31/Mar/2011	31/Mar/2012	31/Mar/2013
<b>Result Type</b>	Audited	Audited	Audited
<b>Liabilities</b>			
<b>EQUITY AND RESERVES</b>	<b>16.24</b>	<b>14.70</b>	<b>15.39</b>
Share capital	1.92	1.92	1.92
Reserves and Surplus	14.32	12.79	13.48
<b>Non-current liabilities</b>	<b>35.76</b>	<b>36.97</b>	<b>34.60</b>
Long-Term Borrowings	35.76	36.13	33.21
Deferred tax Liabilities (Net)	0.00	0.84	1.39
<b>Current liabilities</b>	<b>5.36</b>	<b>5.26</b>	<b>6.12</b>
Current Portion Of Long Term Debt	3.88	4.66	5.32
Trade Payables	0.49	0.38	0.58
Other Current Liabilities	0.19	0.20	0.18
Short-Term Provisions	0.80	0.01	0.03
<b>Total Liabilities</b>	<b>57.35</b>	<b>56.94</b>	<b>56.10</b>
<b>ASSETS</b>			
<b>Non-current assets</b>	<b>49.93</b>	<b>44.31</b>	<b>38.19</b>
Net Fixed assets	48.81	43.46	37.28
Deferred Tax Assets (Net)	0.83	0.00	0.00
Long Term Loans and Advances	0.30	0.86	0.91
<b>Current assets</b>	<b>7.42</b>	<b>12.62</b>	<b>17.91</b>
Trade Receivables > Six Months	0.00	1.33	6.90
Trade Receivables < Six Months	5.62	9.20	10.08
Cash and Cash Equivalents	1.71	1.99	0.81
Short-Term Loans and Advances	0.09	0.10	0.12
Other Current Assets	0.00	0.01	0.00
<b>Total Assets</b>	<b>57.35</b>	<b>56.94</b>	<b>56.10</b>

## Annexure II: Profit & Loss Statement of ASLL ( ₹Crores)

₹ Crores	31/Mar/2011	31/Mar/2012	31/Mar/2013
<b>Result Type</b>	Audited	Audited	Audited
<b>Total Operating Income</b>	<b>13.12</b>	<b>15.78</b>	<b>17.92</b>
<b>Operating Expenses</b>	<b>3.11</b>	<b>2.70</b>	<b>5.00</b>
<b>OPBDIT</b>	<b>10.01</b>	<b>13.08</b>	<b>12.92</b>
Depreciation/Amortization/Impairment	10.26	10.72	9.11
<b>OPBIT</b>	<b>-0.24</b>	<b>2.36</b>	<b>3.81</b>
Interest and Finance Charges	2.24	2.22	2.27
<b>OPBT</b>	<b>-2.48</b>	<b>0.14</b>	<b>1.54</b>
Non Operating Income(Expenses)	0.00	0.03	0.00
<b>PBT</b>	<b>-2.48</b>	<b>0.17</b>	<b>1.54</b>
Provision for Taxes	-0.83	1.70	0.85
<b>PAT</b>	<b>-1.66</b>	<b>-1.53</b>	<b>0.69</b>

## Annexure III: Key Ratios of ASLL

₹ Crores		31/Mar/2011	31/Mar/2012	31/Mar/2013
<b>Result Type</b>		Audited	Audited	Audited
<b>Net Cash Accruals</b>	Crores	7.77	10.85	10.35
<b>Long Term Borrowings</b>	Crores	35.76	36.13	33.21
<b>Current Portion of Long Term Debt</b>	Crores	3.88	4.66	5.32
<b>Total Debt</b>	Crores	39.64	40.79	38.53
<b>Tangible Net Worth</b>	Crores	16.24	14.70	15.39
<b>Capital Employed</b>	Crores	55.05	56.34	55.31
<b>Total Debt/TNW</b>	Times	2.44	2.77	2.50
<b>ISCR</b>	Times	4.47	5.90	5.69
<b>DSCR</b>	Times	4.84	1.87	1.74
<b>Net Cash Accruals/Total Debt</b>	Times	0.20	0.27	0.27
<b>Net Profit Margin</b>	%	-12.65	-9.71	3.84
<b>Operating Profit Margin</b>	%	76.32	82.89	72.10
<b>ROCE</b>	%	-0.44	4.24	6.83
<b>Current Ratio</b>	Times	1.38	2.40	2.93
<b>Days Receivables</b>	Days	156	187	280

(as per BWR calculations)