

## Rating Report

### Brickwork Ratings reaffirms rating for the bank facilities of ₹ 94.68 Cr of Atam Manohar Ship Breakers Pvt Ltd.

Brickwork Ratings has reaffirmed **BWR BB-** (Pronounced BWR Double B Minus) **Ratings<sup>1</sup>** with **Stable Outlook** for the long term bank facilities of `9 crores and **BWR A4** (Pronounced BWR A Four) for short term bank facilities of `85.68 crores of Atam Manohar Ship Breakers Pvt Ltd (AMSBPL).

| Facility              | Limits<br>(₹ Cr) | Tenure                                                        | Rating <sup>^</sup>                                                            |
|-----------------------|------------------|---------------------------------------------------------------|--------------------------------------------------------------------------------|
| <b>Fund Based</b>     |                  |                                                               |                                                                                |
| Cash Credit           | 9.00             | Long Term                                                     | <b>BWR BB-</b><br>(Pronounced BWR Double B Minus)<br><b>(Outlook – Stable)</b> |
| <b>Non Fund Based</b> |                  |                                                               |                                                                                |
| Letter of Credit      | 84.00            | Short Term                                                    | <b>BWR A4</b><br>(Pronounced BWR A Four)                                       |
| CEL                   | 1.68             |                                                               |                                                                                |
| <b>Total</b>          | <b>94.68</b>     | <b>(Rupees Ninety Four Crores and Sixty Eight Lakhs only)</b> |                                                                                |

BWR has relied upon AMSBPL's audited financial results of up to FY14, provisional financial results of FY15, projected financials of upto FY17, and information/clarifications provided by the Company.

The ratings reaffirmation takes into account the Company maintaining its increased scale of operations while fall in profit margins.

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, and 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

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

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. It is 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 25% revenue growth with net sales of ₹171.84 crs in FY14 from ₹137.70 crs in FY13 on the back of higher volumes and better realisations. However rising material costs lead to decline in EBITDA to ₹5.61 crs in FY14 from ₹11.40 crs in FY13. PAT for FY14 stood at ₹1.29 crs as compared to ₹0.71 crs in FY13.

As per provisional figures, the Company has earned net sales of 163.63 crs, EBITDA to ₹2.06 crs and PAT of ₹0.70 crs. The profitability is declined considerably in FY15 compared to FY14 mainly on account of adverse dollar rupee movement.

For Q1FY16, the Company has achieved a net operating income of 29.35 Cr

### Outlook

The Outlook is Stable. AMSBPL benefits from experienced promoters in the ship breaking industry. Improvement in scale of business and profitability while keeping comfortable capital structure remain key sensitivity factors.

|                                                                                |                                                                            |
|--------------------------------------------------------------------------------|----------------------------------------------------------------------------|
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## Annexure – Abridged Key Financials – AMSBPL

### Balance Sheet

₹Crore

| As on March 31,                | 2012         | 2013         | 2014         |
|--------------------------------|--------------|--------------|--------------|
|                                | Audited      | Audited      | Audited      |
| <b>Liabilities</b>             |              |              |              |
| Share capital                  | 4.47         | 4.97         | 5.09         |
| Reserves and Surplus           | 3.72         | 4.92         | 6.43         |
| Long-Term Borrowings           | 3.24         | 2.78         | 1.97         |
| Deferred tax Liabilities (Net) | 0.10         | 0.12         | 0.13         |
| Other Long Term liabilities    | 0.30         | 0.31         | 0.04         |
| Short-Term Borrowings          | 10.49        | 5.16         | 8.38         |
| Trade Payables                 | 69.56        | 21.39        | 51.72        |
| <b>Total Liabilities</b>       | <b>92.60</b> | <b>40.27</b> | <b>74.80</b> |
| <b>ASSETS</b>                  |              |              |              |
| Net Fixed assets               | 1.31         | 1.25         | 1.21         |
| Non Current Investments        | 1.94         | 1.81         | 1.73         |
| Long Term Loans and Advances   | 0.12         | 0.03         | 0.12         |
| Other Non Current Assets       | 0.04         | 0.13         | 0.00         |
| Current Investments            | 0.00         | 0.00         | 0.00         |
| Inventories                    | 83.53        | 29.48        | 63.37        |
| Trade Receivables              | 4.59         | 6.35         | 7.58         |
| Cash and Cash Equivalents      | 0.21         | 0.75         | 0.52         |
| Short-Term Loans and Advances  | 0.03         | 0.08         | 0.04         |
| Other Current Assets           | 0.84         | 0.37         | 0.21         |
| <b>Total Assets</b>            | <b>92.60</b> | <b>40.27</b> | <b>74.80</b> |

### Income Statement

₹Crore

| For the year ending March 31, | 2012    | 2013    | 2014    |
|-------------------------------|---------|---------|---------|
|                               | Audited | Audited | Audited |
| <b>Result Type</b>            |         |         |         |
| Net Sales                     | 129.87  | 137.70  | 171.84  |
| Total Operating Income        | 129.87  | 137.70  | 171.84  |
| Operating Expenses            | 127.21  | 126.30  | 166.22  |
| OPBDIT                        | 2.65    | 11.40   | 5.61    |
| Depreciation                  | 0.06    | 0.07    | 0.06    |
| Interest and Finance Charges  | 3.53    | 11.48   | 5.80    |
| Non-Operating Income          | 2.08    | 1.17    | 2.23    |
| PBT                           | 1.14    | 1.03    | 1.98    |
| Provision for Taxes           | 0.34    | 0.32    | 0.69    |
| PAT                           | 0.81    | 0.71    | 1.29    |

Ratios

|                                  | 2012  | 2013  | 2014  |
|----------------------------------|-------|-------|-------|
| Tangible Net Worth (₹ Crs)       | 8.19  | 9.88  | 11.51 |
| Total Debt/TNW (x)               | 1.68  | 0.80  | 0.90  |
| ISCR (x)                         | 0.75  | 0.99  | 0.97  |
| Net Cash Accruals/Total Debt (x) | 0.23  | 1.18  | 0.54  |
| Net Profit Margin (%)            | 0.62  | 0.51  | 0.75  |
| Operating Profit Margin (%)      | 2.04  | 8.28  | 3.27  |
| ROCE (%)                         | 15.57 | 56.71 | 27.81 |
| Current Ratio (x)                | 1.10  | 1.36  | 1.17  |