

Shahi Shipping Limited

July 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2.50 (Reduced from 2.90)	CARE B+; Stable	Revised from CARE B; Stable
Short Term Bank Facilities	7.50 (Enhanced from 7.10)	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1

Rationale & key rating drivers

The revision in the ratings assigned to the bank facilities of Shahi Shipping Limited (SSL) factors in improvement in operating performance during FY24 leading to improvement in financial risk profile.

The rating, however, continues to be constrained by modest scale of operations with low net worth base, stretched liquidity position and presence in highly fragmented & competitive nature of shipping industry.

The rating, however, derive strength from long track record of operations having well-established relationship with reputed customers.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in the scale of operations with a total operating income exceeding Rs. 15.00 crore on a sustained basis.
- Sustenance of PBILDT margin at current level.
- Improvement in the capital structure with the overall gearing reaching below 0.20 times on a sustained basis.

Negative factors

- Interest coverage ratio to be maintained at above 2.50x on a sustained basis.
- Increase in debt levels leading to deterioration in gearing levels.
- Significant elongation in operating cycle.

Analytical approach: Standalone

Outlook: Stable

SSL is expected to benefit over the medium term from the track record and experience of the promoters in the industry.

Detailed description of the key rating drivers

Key weaknesses

Growth in Total Operating Income albeit modest scale of operations

With the gradual revival of the market conditions during the year wherein the company executed higher contracts from its customers, the scale of operations improved by 14.14% with total operating income (TOI) stood at Rs. 12.43 crore in FY24 vis-à-vis Rs. 10.89 crore in FY23. However, despite the improvement, the scale of operations continues to remain modest.

Average financial profile

SSL has an average financial profile marked by a low net worth of Rs. 5.87 crore and high total outside liabilities to tangible net worth (TOL/TNW) at 2.04x for year ending on 31st March 2024. However, the financial risk profile has improved during FY24 on account of improvement in operating performance.

Presence in highly fragmented and competitive nature of shipping industry

SSL operates in the shipping industry which is fragmented with a large number of small players resulting into intense competition. Further, the bargaining power of small players is limited with large customers affecting the barges rates. The company's profitability and ability to repay debt is affected by the barges rates at which it can redeploy its vessels. Unlike shipping companies, which derive their freight rates from various Baltic indexes, offshore support vessel companies provide their vessels after the tendering and bidding process. The company's revenues and profitability is exposed to seasonality in the shipping industry, since the offshore personnel transportation is muted during the monsoons.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key strengths

Long track record of operations with experienced and qualified directors

SSL has long track record of about two decades of operations in shipping industry. The overall operations are looked after by director Mr. Sarvesh Kumar Shahi. Mr. Sarvesh Kumar Shahi has vast experience of more than three decades in this industry through his association with the company and also worked for other shipping companies. Moreover, other directors of the company are qualified and experienced.

Established relationship with reputed customers

Over the years of operations, SSL has established long-term relationships with well-established and reputed customers. However, the customer profile remained concentrated with top 5 customers comprising 100% of total sales in FY24 vis-à-vis 80.01% in FY23. However, the customer concentration risk gets mitigated to an extent due to healthy relationship with these clients over the years ensuring repeated orders coupled with strong credit profile and healthy credit worthiness of these customers.

Significant improvement in profitability

The profit margin of SSL primarily depends on the variety of contracts received along with the tender driven nature of operations. Further, in FY24, SSL's profitability has shown significant improvement with PBILDT margin at 21.64% in FY24 vis-à-vis 1.07% in FY23 along with PAT margin of 20.81% in FY24 vis-à-vis 3.75% in FY23. The improvement in operating profitability can be attributed to growth in scale of operation along with conscious reduction in various overheads viz. repairs and maintenance charges and various other miscellaneous expenses. Further, given the improvement in operating profits along with lower depreciation expense, PAT margin improved in FY24.

Liquidity: Stretched

The liquidity position remained stretched, characterized by lower accruals to repayment obligations and low free cash balance of Rs. 0.10 crore as on March 31, 2024. The average utilization of its working capital limits during past 12 months ended May 2024 stood at ~85% to 90%. Further, the current ratio stood weak at 0.56x as on March 31, 2024 vis-à-vis 0.48x as on March 31, 2023. The cash flow from operating activities was positive at Rs. 3.90 crore as on March 31, 2024 vis-à-vis Rs. 0.37 crore as on March 31, 2023.

Applicable criteria

[Policy on default recognition](#)

[Criteria on Assigning 'Outlook' or 'Rating Watch' to Credit Ratings](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Short Term Instruments](#)

[Rating Methodology: Shipping Companies](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Services	Shipping

Originally established in the year 1985 as a partnership firm by Mr. Sarvesh Kumar Shahi, the firm got reconstituted as a private-limited company, Shahi Shipping Transport Private Limited, in 1990. Later in the year 2013, it got reconstituted into a public-limited company under the name of Shahi Shipping Limited (SSL). SSL is engaged in the shipping industry and provides Transshipment & lighterage operations, Fresh Water Supply, Bunkers Supply and Container Services. The company owns a fleet of 13 vessels of which it includes mini bulk carriers, general cargo carriers, chemical carriers, water supply barges, tugs, and launches deployed in multi-year contracts with the customers. The fleets operate at Jawaharlal Nehru Port Trust (JNPT) & Bombay Port Trust (BPT) ports and provide inland sea transportation services. The company is operating through its registered office in Masjid, Mumbai.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	9.40	10.89	12.43
PBILDT	-1.16	0.12	2.69
PAT	-0.08	0.41	2.59
Overall gearing (times)	3.64	2.74	0.92
Interest coverage (times)	-2.48	0.29	4.71

A: Audited; Prov.: Provisional; Note: 'the above results are latest financial results available'.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not applicable

Disclosure of Interest of Managing Director & CEO: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Not Applicable

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	2.50	CARE B+; Stable
Non-fund-based - ST-Bank Guarantee	-	-	-	-	3.00	CARE A4
Non-fund-based - ST-Bank Guarantee	-	-	-	-	4.50	CARE A4

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	2.50	CARE B+; Stable	-	1)CARE B; Stable (03-Aug-23)	1)CARE B; Stable (27-Jul-22)	1)CARE B; Stable (30-Sep-21)
2	Non-fund-based - ST-Bank Guarantee	ST	3.00	CARE A4	-	1)CARE A4 (03-Aug-23)	1)CARE A4 (27-Jul-22)	1)CARE A4 (30-Sep-21)
3	Non-fund-based - ST-Bank Guarantee	ST	4.50	CARE A4	-	1)CARE A4 (03-Aug-23)	1)CARE B; Stable (27-Jul-22)	1)CARE B; Stable (30-Sep-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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