

Shantamani Enterprise LLP

December 06, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	76.50	CARE B+; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

For arriving at the ratings of the bank facilities of Shantamani Enterprise LLP, CARE has considered the combined financial and business profile of two entities, namely, Ashwin Shipbreaking LLP and Shantamani Enterprise LLP, collectively known as Shantamani Group (SHG). All the two entities of SHG have similar business profiles with operational and business linkages with common management. The ratings of SHG continue to remain constrained on account of ASL's constitution as a partnership firm and its modest and fluctuating scale of operations owing to fewer ship purchases for breakage. The ratings are further constrained on account of susceptibility of its profitability to adverse movement in foreign exchange rates, inherent cyclicity in the industry and exposure to regulatory and environmental hazards risk. The ratings, however, continue to derive strength from long standing experience of the management in ship-breaking industry and locational advantage due to SHG's presence at Alang.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial increase in scale of operations to more than 100 crores on a sustained basis.
- Improvement in LC coverage ratio beyond 1.5 times on a sustained basis.

Negative factors

- Deterioration in LC coverage ratio below 1.15 times on a sustained basis.
- Any major deviation of funds to non-core business operations.

Analytical approach: Combined

CARE Ratings has adopted the combined approach for analysing for two entities of the group, viz., Shantamani Enterprises LLP and Ashwin Shipbreaking LLP (referred as Shantamani Group (SHG)) due to their operational, financial and managerial linkages. Further, all the two entities have a common management, as Jayantkumar N. Vanani and Devyaniben J. Vanani manages the affairs of all the two entities (as partner in both the firms).

Outlook: Stable

CARE Ratings believes that SHG will continue to benefit from the vast experience of the management in the shipbreaking industry.

[Detailed description of the key rating drivers:](#)

Key weaknesses

Exposure to adverse movement in forex rates

SHG uses letter of credit (LC) facility to purchase old ships, and the transactions are denominated in United States Dollars (USD). Due to this, SHG is exposed to forex risk during the LC's usance period, as the entire revenue is denominated in Indian Rupee (INR), providing no natural hedge for the purchase of ships. Moreover, SHG does not have any active hedging policy for its dollar denominated payables, which also exposes SHG to forex risk during the LC's usance period.

Linkage to cyclicity inherent in the industry

The ship breaking industry is cyclical in nature as supply of old ships for recycling is inversely proportional to freight index. The freight index is a function of global demand of seaborne transport and supply of new vessels which in turn depend on global merchandise trade. Better availability of old ships for recycling is ensured at the time of recession and when freight rates are low which makes it economical to dismantle the ship rather than continue to

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

operate it. Further, Indian ship-recycling yard face intense competition from the neighbouring countries like Bangladesh and Pakistan due to availability of low wage labour, lesser occupational health and environment related regulations and larger yards giving better bargaining power to yard owners.

Exposure to regulatory and environmental hazard risk

The ship-breaking industry in the Alang-Sosiya belt of Gujarat is highly regulated with strict working and safety standards to be maintained by the shipbreakers for their labourers and environmental compliance. Furthermore, the industry is prone to risks related to pollution as it involves dismantling of ships which contain various hazardous substances like lead, asbestos, acid, hazardous paints, etc. that have to be properly disposed-off as per the regulatory guidelines.

Inherent nature of partnership:

Since the firm is constituted as an LLP there is an inherent risk of withdrawal of capital and the continuity of the functions.

Key strengths**Long standing experience of management in the ship breaking industry**

Jayantkumar N. Vanani and Devyaniben J. Vanani, the partner of Shantamani Enterprise LLP (SEL) & Ashwin Shipbreaking LLP (ASL) has a vast experience of almost 30 years and 5 years respectively in the ship breaking industry. He also held the position of secretary in Ship Recycling Industries Association (SRIA), an industry association of ship recyclers operating in Bhavnagar area in Gujarat.

Location of yards at Alang which has unique geographical features suitable for ship-breaking operations

SHG's ship breaking yards are located at Alang-Sosiya belt which is considered to be one of the world's largest ship-breaking cluster and constitutes nearly 90% of India's ship-breaking activity. The unique geographical features of the area including a high tidal range, wide continental shelf, 15-degree slope and a mud free coast are ideal for large sized ships to be beached easily during high tide. It accommodates nearly 167 plots spread over around 10 km long stretch along the seacoast of Alang.

Liquidity: Stretched

The group has stretched liquidity marked by low cash accruals. The average fund-based utilization for the past twelve months ended October 2024 stood NIL. Cash flow from operations declined and stood at Rs. -4.47 crore during FY24 (PY: 14.62 Crore as on 31st March 2023). Ship-breaking entities need to park their sale proceeds into fixed deposits (FDs) as per the schedule given by banks at the time of opening the LC for ship purchase, which are lien marked against the LC obligation towards purchase of the ship, in addition to the upfront margin kept for opening of the LC in favour of the supplier. This ensures gradual build-up of reserve funds to meet the sizeable LC payment obligations at maturity. As of March 31, 2024 there is no outstanding LC.

Applicable criteria[Consolidation](#)[Definition of Default](#)[Liquidity Analysis of Non-financial sector entities](#)[Rating Outlook and Rating Watch](#)[Financial Ratios – Non financial Sector](#)[Short Term Instruments](#)[Wholesale Trading](#)**About the company and industry**

Shantamani Enterprise LLP is a partnership established by Mr. Ramesh B. Virani and Mr. Jayant N. Patel in 1998 and is engaged in ship breaking business. During FY17, Mr. Ramesh B. Virani ceased to be the partner in the firm and Mrs. Deviyani J. Vanani was admitted as a partner in the firm. The operations of SHM are carried out at a plot leased out by Gujarat Maritime Board (GMB) in the Alang ship-breaking yard located at the Alang-Sosiya belt of Bhavnagar region in Gujarat, which generally gets renewed every year. The operations of the firm are managed by Jayantkumar

N. Vanani who in addition to SEL also manages other group firms engaged in similar business in viz Ashwin Shipbreaking LLP.

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Commercial Services & Supplies	Trading & Distributors

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	83.78	21.33
PBILDT	0.69	-1.18
PAT	0.62	0.65
Overall gearing (times)	0.14	0.04
Interest coverage (times)	0.39	-3.35

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

Group Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	83.78	21.33
PBILDT	0.01	-2.44
PAT	1.32	1.29
Overall gearing (times)	0.46	0.10
Interest coverage (times)	0.00	-2.16

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

Status of non-cooperation with previous CRA: Brickwork has conducted the review on the basis of best available information and has classified Ashwin Shipbreaking LLP as "Not cooperating" vide its press release dated April 22, 2024.

Any other information: NA

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

Covenants of the rated instruments/facilities: Annexure-3

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 and Rating Outlook
Fund-based/Non-fund-based-LT/ST		-	-	-	76.50	CARE B+; Stable / 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/Non-fund-based-LT/ST	LT/ST	-	-	1)CARE B+; Stable / CARE A4 (25-Nov-24) 2)Withdrawn (25-Nov-24)	1)CARE B+; Stable / CARE A4 (28-Dec-23)	1)CARE B+; Stable / CARE A4 (27-Feb-23) 2)CARE B-; Stable / CARE A4; ISSUER NOT COOPERATING * (20-Sep-22)	1)CARE B; Stable / CARE A4; ISSUER NOT COOPERATING * (15-Jul-21)
2	Fund-based/Non-fund-based-LT/ST	LT/ST	-	-	1)CARE B+; Stable / CARE A4 (25-Nov-24) 2)Withdrawn (25-Nov-24)	1)CARE B+; Stable / CARE A4 (28-Dec-23)	1)CARE B+; Stable / CARE A4 (27-Feb-23) 2)CARE A4; ISSUER NOT COOPERATING * (20-Sep-22)	1)CARE A4; ISSUER NOT COOPERATING * (15-Jul-21)
3	Fund-based/Non-fund-based-LT/ST	LT/ST	76.50	CARE B+; Stable / CARE A4				

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of 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/Non-fund-based-LT/ST	Simple

Annexure-5: Lender details

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

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

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About us:

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