

Gohilwad Ship Breaking LLP

March 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	95.48 (Enhanced from 70.80)	CARE BB; Stable / CARE A4	Reaffirmed
Short Term Bank Facilities	1.52 (Enhanced from 1.20)	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Gohilwad Ship Breaking LLP (GSBLLP) continue to remain constrained by fluctuating scale of operations during FY24 (FY refers to the period from April 01 to March 31), with limited ship recycling activity, thin profitability, modest net-worth base, leveraged capital structure and weak debt coverage indicators, exposure to adverse movement in forex rates and risks associated with partnership constitution of the firm. The ratings are also constrained by cyclicity associated with ship recycling industry coupled with competition from global peers and exposure to regulatory and environment hazard risk. The ratings continue to derive strength from experienced promoters and long track record of operations in ship recycling industry with certification for green recycling and its presence in one of largest ship recycling yard at Alang-Sisoya belt.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in scale of operations with sustenance in PBILDT margins.
- LC coverage over 1.3x on sustained basis.
- Interest coverage ratio to improve and stood at above 2.00x on a sustained basis

Negative factors

- Any regulatory impositions may impact the operations of the company.
- LC coverage deteriorating below 1.1x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

GSBLLP is expected to continue to benefit from the experienced promoters.

Detailed description of key rating drivers:

Key weakness

Modest scale of operations, along with thin profitability

Over the years, the total operating income of the firm has remained moderate in the range of Rs. 26.53 crore and Rs. 56.70 crore during FY20 to FY24. In FY24, TOI grew significantly by 96% YoY to Rs. 56.70 crore against Rs. 28.86 crore in FY23 on account of higher number of ships available for breaking / recycling from previous inventory. However, its revenue moderated to Rs. 13.96 crore in H1 FY25 due to relative unavailability of new ships of recycling due to rise in global freight rates. In FY23, the firm had purchased 3 vessels; one bulkier (name: Haseen), one tug (name: Iconic 09) and one LPG vessel (name: Tomson Gas) and revenue is booked in FY24 from the sale of inventory of these ships. The PBILDT margin remained thin and fluctuating due to low value-added nature of business along with volatile steel prices and forex rates.

Leveraged capital structure and weak debt coverage indicators

The overall gearing of GSBLLP deteriorated to 2.01x as on Mar 31, 2024, vis-a-vis 0.90x as on March 31, 2023 on account of increase in the outstanding LC-backed creditors. Its debt protection metrics viz. Total Debt/GCA deteriorated and stood at 65.65x as on Mar 31, 2024, vis-à-vis 23.57x as on Mar 31, 2023 and the PBILDT interest coverage ratio stood weak at 1.20x in FY24 (PY: 0.87x). The financial risk profile is expected to remain steady in the coming years.

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

Exposure to volatility in metal prices and forex rates

The volatility in steel prices driven by demand and supply conditions in the global as well as local markets exposes GSBLLP's revenue and profitability to any adverse price movement on the uncut ship inventory (which depends on the time elapsed since the purchase of the ship and the size/tonnage of the ship) as well as unsold inventory of steel scrap held by the firm (which is generally minimal). The group uses Letter of Credit (LC) facility to purchase old ships. Since the transactions are denominated in foreign currency, the firm is exposed to forex risk, as the firm's revenue is denominated in Indian Rupee (INR). However, the group hedges its forex risk by taking forward cover as per the market scenario, which mitigates its risk to forex fluctuations to an extent.

Risks associated with partnership constitution

The firm being partnership, the firm is exposed to risk of withdrawal of capital from the business along with risk of absence of succession planning which may expose the firm to risk of dissolution of business.

Cyclical nature associated with ship breaking industry coupled with competition of global peers

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 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 environment 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, acids, hazardous paints, etc. that have to be properly disposed off as per the regulatory guidelines. The industry has attracted considerable attention on the issues relating to environmental pollution, health problems of labor and violation of human rights in the recent past. Thus, if stringent environmental norms are imposed then it may have an adverse effect on the operations of the firm.

Key strengths

Experienced promoters and established track record of operations

GSBLLP is promoted by Mr. Hitesh Shah, Mr. Jimit Shah, Mr. Sudhir Mehta and Mr. Rajesh Mehta and is engaged in ship breaking activity. They are one of the oldest players in ship-breaking industry at Alang and has been successfully able to operate its business through various business cycles. The promoters have more than two decades of experience and are actively involved in the operation of the firm. GSBLLP has recycled around 19 ships in the last five years with a total tonnage of 66,351 MT. GSBLLP recycles Bulk Carriers, General Cargo, Oil & Chemical Tanker, Passenger Tanker & Container, fish factory, tugs like small vessels.

Location of yard at Alang which has unique geographical features suitable for ship-breaking operations along with proper certifications and regular customer base

The firm's ship breaking yards are located at Alang-Sosiya belt, which constitutes nearly 90% of India's ship-breaking activities and it is India's largest ship-breaking cluster. The unique geographical features of the area include a high tidal range, wide continental shelf, adequate slope and a mud free coast. These conditions are ideal for a wide variety of ships to be beached easily during high tide. The cluster accommodates nearly 170 plots spread over around 10 km long stretch along the seacoast of Alang-Sosiya. Alang has been a consistent player in ship breaking and accounts for 98% of total ships recycled in India. The firm has infrastructures to comply with which are certified by Class NK. This compliance is in relation to the infrastructure and better environment friendly practices and results in lower procurement cost of ships for groups and a preference in ship recycling. The firm has CLASS NK certification which is valid up to 2026 and has RINA certification which has validity up to 2025.

Liquidity: Stretched

The liquidity position is stretched characterized by low accruals. However, cash balance stood moderate at Rs. 4.40 crore as on Mar 31, 2024, and Rs. 0.09 crore as on Sept 30, 2024. However, it has no term loans and term debt on its books as on balance sheet date. The net cash flow from operating activities stood positive at Rs. 1.90 crore as on Mar 31, 2024, vis-à-vis negative at Rs. 3.94 crore as on Mar 31, 2023. Further, the current ratio stood comfortable at 1.42 times and quick ratio stood at 0.82 times as on Mar 31, 2024 (vis-à-vis 1.96 times and 1.13 times respectively as on March 31, 2023).

Assumptions/Covenants: Not Applicable**Environment, social, and governance (ESG) risks: Not Applicable****Applicable criteria**[Definition of Default](#)[Liquidity Analysis of Non-financial sector entities](#)[Rating Outlook and Rating Watch](#)[Manufacturing Companies](#)[Financial Ratios – Non financial Sector](#)[Short Term Instruments](#)**About the company and industry****Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport Services	Shipping

Established in 1995, Gohilwad Ship Breaking LLP (GSBLLP) is engaged in the ship recycling business at Alang-Sosiya belt of Bhavnagar region in Gujarat. The firm carries on ship breaking activities at Plot No. 87A in Alang Ship Breaking Yard allotted by Gujarat Maritime Board with total plot size of 2700 sq. meters having frontage of 45 meters. The plot is compliant under "Green recycling - Guidelines for Safe and Environmentally Sound Ship Recycling, adopted by resolution MEPC.210 (63)" certified by RINA S.P.A. and Class NK. Gohilwad Ship Breaking Co., partnership firm, was converted into LLP with name Gohilwad Ship Breaking LLP on October 11, 2022.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	28.86	56.70	13.96
PBILDT	0.74	0.67	NA
PAT	0.29	0.20	NA
Overall gearing (times)	0.90	2.01	NA
Interest coverage (times)	0.87	1.20	NA

A: Audited UA: Unaudited NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Brickwork Ratings has classified the ratings of GSBLLP as non-cooperative vide release dated February 10, 2025 due to non-furnishing of information for monitoring of ratings and lack of management cooperation.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 - LT/ ST-Standby Line of Credit	-	-	-	-	19.00	CARE BB; Stable / CARE A4
Non-fund-based - LT/ ST-Letter of credit	-	-	-	-	76.48	CARE BB; Stable / CARE A4
Non-fund-based - ST-Credit Exposure Limit	-	-	-	-	1.52	CARE A4

Annexure-2: Rating history for 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	Non-fund-based - ST-Credit Exposure Limit	ST	1.52	CARE A4	-	1)CARE A4 (07-Feb-24)	1)CARE A4 (11-Jan-23)	-
2	Non-fund-based - LT/ ST-Letter of credit	LT/ST	76.48	CARE BB; Stable / CARE A4	-	1)CARE BB; Stable / CARE A4 (07-Feb-24)	1)CARE BB; Stable / CARE A4 (11-Jan-23)	-
3	Fund-based - LT/ ST-Standby Line of Credit	LT/ST	19.00	CARE BB; Stable / CARE A4	-	1)CARE BB; Stable / CARE A4 (07-Feb-24)	1)CARE BB; Stable / CARE A4 (11-Jan-23)	-

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Available**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-Standby Line of Credit	Simple
2	Non-fund-based - LT/ ST-Letter of credit	Simple
3	Non-fund-based - ST-Credit Exposure Limit	Simple

Annexure-5: Lender detailsTo 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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