

Crown Steel Co.

April 09, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	86.25	CARE BB; Stable / CARE A4	Reaffirmed
Short Term Bank Facilities	1.50	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Crown Steel Co. (CSC) continues to remain constrained on account of its fluctuating scale of operation and profitability, moderate capital structure and debt coverage indicators as well as stretched liquidity during FY24 (Audited, FY refers to the period April 01 to March 31) and 10MFY25 (Unaudited, FY refers to the period April 01 to January 31). The rating further remains constrained on account of its exposure to adverse movement in steel prices and forex rates, Presence in cyclical and competitive ship recycling industry characterised by regulatory and environmental hazards risks along with partnership nature of constitution.

The ratings, however, continues to derive strength from experienced partners, location advantage and RINA class certification.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant increase in scale of operations with PBILDT margin of more than 5% and PAT margin of more than 3% on sustained basis
- Improvement in letter of credit (LC) coverage ratio above 1.30 times on sustained basis

Negative factors

- Decrease in Total operating income (TOI) below Rs.40 crore on a sustained basis with PBILDT margin below 3%
- Deterioration of LC coverage ratio below unity

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that CSC is likely to sustain its overall financial risk profile marked by fluctuating however moderate scale of operations and profitability margins coupled with moderate capital structure and debt coverage indicators.

Detailed description of key rating drivers:

Key weaknesses

Fluctuating scale of operations and profitability

Over past five years, TOI remained modest and fluctuating depending upon the availability of ship for cutting along with the volatility associated with steel scrap prices and freight prices. During FY24, CSC reported moderate scale of operations marked by TOI of Rs.46.34 as against Rs.43.09 crore during FY23. Profitability position moderated marked by PBILDT margin of 0.69% in FY24 as against 2.31% during FY23 due to high cost of material during FY24. PAT margin moderated to 0.54% during FY24 as against 0.71% during FY23 due to higher finance cost during FY24. Further, during 10MFY25, firm reported TOI of Rs.51.75 crore with PBILDT margin of ~1.90%.

Moderate capital structure and debt coverage indicators

CSC's capital structure marked by overall gearing deteriorated and remained at 2.48x as on March 31, 2024, as against 0.01x as on March 31, 2023, due to high unsecured loans and LC backed creditors as on March 31, 2024. The total debt remained high as on March 31, 2024 owing to outstanding LC with purchase of ship in xxx. Further, during FY24, debt coverage indicators also moderated marked by interest coverage ratio of 0.22x as against 1.87x. TDGCA deteriorated and remained high as on March 31, 2024, on account of high debt as on March 31, 2024, as against 0.38x as on March 31, 2023.

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

Exposure to adverse movement in steel prices and forex rates

The volatility in steel prices driven by demand and supply conditions in the global as well as local markets exposes CSC 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 entity (which is generally minimal). The entity uses LC facility to purchase old ships. Since the transactions are denominated in foreign currency, the entity is exposed to forex risk during the LC Usance period, as the entity's revenue is denominated in Indian Rupee (INR).

Presence in cyclical and competitive ship recycling industry characterised by regulatory and environmental hazards risks

The ship recycling industry is cyclical in nature as supply of old ships for recycling is inversely proportional to freight rates in the global economy. 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. However, currently ship availability is adversely impacted due to high freight prices. 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. The ship-recycling industry is highly regulated with strict working and safety standards to be maintained by the shipbreakers for their labourers and environmental compliance. Further, Government of India enacted the Recycling of Ships Act, 2019 ("Act") for the regulation of recycling of ships by setting certain standards and laying down the statutory mechanism for enforcement of such standards and related matters. Thus, if any adverse circumstances or event may affect business operations of entities.

Partnership nature of the constitution

The constitution as a partnership restricts CSC's overall financial flexibility in terms of limited access to external funds for any future expansion plans. Further, there is inherent risk of possibility of withdrawal of capital being withdrawn at time of personal contingency and dissolution of the entity in case of death/insolvency of any of the partners. Moreover, partnership constitution has restricted access to external borrowings as credit worthiness of partners would be key factors affecting credit decision for lenders.

Key strengths

Experienced partners

Operations of CSC is managed by Mr. Kunal Shah, Mr. Ramesh Shah and Ms. Jigna Shah. Mr. Ramesh Shah hold around 15 years of industry experience and looks after the overall operations of the firm. While Mr. Kunal Shah holds around 4 years of industry experience and manages ship purchase activity for CSC. Ms. Jigna Shah is the wife of Mr. Ramesh Shah and is dormant partner. Both Mr. Ramesh Shah and Mr. Kunal Shah are promoters of their one of the group entities named Rajsagar Steel Private Limited, engaged into steel trading business. Chhajed Steel Corporation and Metal Inc are also their group entity with steel trading business.

Location of yard at Alang which has unique geographical features suitable for ship-recycling operations

CSC's ship recycling yards are located at Alang-Sosiya belt which is one of the world's largest ship-recycling yards and caters to nearly 90% of India's ship-recycling 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 even large sized ships to be beached easily during high tide. It accommodates nearly 140 plots spread over around 10 km long stretch along the seacoast of Alang.

RINA Class Certification

Various agencies certify the operations of the ship-recycling yards from the environmental and worker safety points of view, including secure management of hazardous waste generated from the ship-recycling activities. Some of these certifications are carried after an audit as per the guidelines laid down by the Hong Kong Convention of the International Maritime Organization (IMO) in 2009 and that under European Union regulations. CSC has RINA class certification with expiration date of July 23, 2025. Such certifications give ship recycler an advantage to source ships at marginally better prices compared with market rates.

Liquidity: Stretched

Liquidity position remain stretched marked by low cash accruals and negative operating cycle. The firm has reported GCA of ~Rs. 0.40 crore during FY24 as against nil repayment obligations arising in FY25 due to absence of term debt. Cash flow from operations stood negative at ~Rs.9 crore due to high level of inventory and high creditors as on balance sheet date. Month end LC utilisation remained low at ~5% for the past 12 months ended December 2024. Liquidity ratios remained moderate marked by current ratio of 1.81x and quick ratio of 0.77x as on March 31, 2024. Cash and bank balance remained at Rs.0.27 crore as on March 31, 2024.

Applicable criteria

[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
Industry classification

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

Established by Shah family, Crown Steel Co. (CSC) is engaged into shiprecycling business in the Alang- Sosiya belt of Bhavnagar region, Gujarat. CSC is currently managed by 3 partners viz. Mr. Kunal Shah, Mr. Ramesh Shah and Ms. Jigna Shah. The operations of the firm are carried out from a leased plot measuring 2,250 square meters from Gujarat Maritime Board (GMB).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	10MFY25 (UA)
Total operating income	43.09	46.34	51.75
PBILDT	1.00	0.32	1.00
PAT	0.30	0.25	0.35
Overall gearing (times)	0.01	2.48	0.25
Interest coverage (times)	1.87	0.22	2.00

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

Brickwork has reviewed ratings assigned to bank facilities of SGL under Issuer Not Cooperating category vide press release dated May 15, 2024, on account of its inability to carry out a review in the absence of the requisite information from the entity.

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
Non-fund-based - LT/ ST-Letter of credit		-	-	-	86.25	CARE BB; Stable / CARE A4
Non-fund-based - ST-Credit Exposure Limit		-	-	-	1.50	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 2025-2026	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
1	Non-fund-based - LT/ ST-Letter of credit	LT/ST	86.25	CARE BB; Stable / CARE A4	-	-	1)CARE BB; Stable / CARE A4 (29-Mar-24) 2)CARE BB; Stable / CARE A4 (30-Jun-23)	1)CARE BB; Stable / CARE A4 (15-Mar-23)
2	Non-fund-based - ST-Credit Exposure Limit	ST	1.50	CARE A4	-	-	1)CARE A4 (29-Mar-24) 2)CARE A4 (30-Jun-23)	1)CARE A4 (15-Mar-23)

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

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

Sr. No.	Name of the Instrument	Complexity Level
1	Non-fund-based - LT/ ST-Letter of credit	Simple
2	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.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Kalpesh Ramanbhai Patel Director CARE Ratings Limited Phone: 079-40265611 E-mail: kalpesh.patel@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Sajni Shah Assistant Director CARE Ratings Limited Phone: 079-40265636 E-mail: Sajni.Shah@careedge.in Nandini Bisani Rating Analyst CARE Ratings Limited E-mail: Nandini.Bisani@careedge.in

About us:

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