

Vijay Ship Breaking Corporation

April 08, 2025

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	47.00	CARE BB; Stable / CARE A4	Reaffirmed
Short Term Bank Facilities	8.08	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Vijay Ship Breaking Corporation (VSBC) continue to remain constrained on account of its fluctuating scale of operations and thin profitability. Furthermore, the ratings are also constrained on account of its presence in cyclical and competitive ship breaking industry which is characterised by regulatory and environmental hazards risks and its exposure to adverse movement in steel prices and forex rates.

The ratings, however, continues to derive strength from extensive experience of promoters in the ship breaking industry, moderate capital structure and its presence at Alang-Sosiya region which is one of the largest ship-breaking yards of the world. Rating takes into cognisance non-availability of ships for cutting since last two years with the firm, along with non-utilisation of any bank limit, however scaling up of operations shall remain key monitorable going forward.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in scale of operations along with profit below interest, lease, depreciation and tax (PBILDT) margin of 4% or more.
- Increase in net worth base to more than Rs. 15 crores.

Negative factors

- Deterioration in capital structure with overall gearing above 1.0x on sustained basis or withdrawal of capital.
- LC coverage ratio below 0.8x on sustained basis.
- Prolonged ship unavailability leading to lack of revenue generation.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the firm will continue to benefit from the extensive experience of the promoters in the ship-breaking industry.

Detailed description of key rating drivers:

Key weaknesses

Fluctuating scale of operations and profitability

Over the years, VSBC's TOI remained highly fluctuating depending upon the availability of ship for cutting and volatility associated with steel scrap and freight prices. During FY24, due to the non-availability of ships for cutting in FY23 and FY24, VSBC's total operating income was Nil as against Rs.1.70 crores in FY23. However, during FY24, the firm achieved non-operating income of Rs. 1.50 crore on account of refund from Gujarat Marine Board and interest earned on unsecured loans and mutual funds. Due to the recurring expenses made during the year, PAT stood at Rs.0.11 crores. Further during CFY also, due to non-availability of ships for cutting, the firm has not generated any operating revenue.

Susceptibility of its profitability to volatile steel prices and foreign exchange rate fluctuation

VSBC uses Letter of Credit (LC) facility for procurement of ships. Since the transactions are denominated in US Dollars (USD), the firm is exposed to forex risk during the LC's usance period, as it earns its revenue in Indian Rupee (INR), providing no natural hedge for the purchase of ships. VSBC partially hedges its open forex position. High hedging cost and thin profitability of ship breaking entities limits the propensity to cover forex position for the ship breaking entities. Moreover, the volatility in steel prices are driven by demand and supply conditions in the global as well as local markets which exposes VSBC to any adverse price movement on the uncut ship inventory as well as unsold inventory of steel scrap held by it.

Presence in a cyclical ship-breaking industry which is characterized by regulatory and environmental hazard risk

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

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. Further, 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 ship-breakers 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 and hazardous paints that have to be properly disposed-off as per the regulatory guidelines.

Key strengths

Extensive experience of the partners in the ship breaking industry

Operations of VSBC are managed by four partners namely Mr. Bharatkumar J Kothari, Mr. Hiteshkumar R Ajmera, Mr. Samirbhai Ajmera and Mr. Shailesh Kothari. Mr. Bharatkumar J Kothari and Mr. Hiteshkumar R Ajmera have more than three decades of experience in ship breaking industry.

Moderate capital structure

VSBC's total debt primarily comprises of outstanding LC obligations against the purchase of ship and unsecured loans. The capital structure marked by overall gearing stood Nil as on FY24 end on account of no outstanding debt due to no ship availability. The firm uses working capital limits only on need basis.

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

VSBC's ship breaking yards are located at Alang-Sosiya belt which is considered to be one of the world's largest ship-breaking yards and caters to 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 even large sized ships to be beached easily during high tide. It accommodates nearly 130 plots spread over around 10 km long stretch along the seacoast of Alang.

Liquidity: Stretched

VSBC's liquidity remained stretched marked by low gross cash accruals of Rs.0.22 crore as on FY24 end. VSBC's cash flow from operations stood negative at Rs.0.52 crore (negative Rs.11.35 crore in FY23) on account of negative PBILDT in FY24. The working capital utilisation for both fund based as well as non-fund based limited remained nil on account of unavailability of ship for cutting. As on FY24 end, unencumbered cash and bank balance stood at Rs. 0.95 crores. Furthermore, VSBC had mutual fund investment of Rs.8.00 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

Vijay Ship Breaking Corporation (VSBC), a partnership firm, was established by four partners in 1985 and it is engaged in the ship-breaking business in the Alang-Sosiya belt of Bhavnagar region in Gujarat with a plot size of 2,790 square meters. VSBC's operations are carried out at the premises leased out by Gujarat Maritime Board (GMB) in Bhavnagar. The key partners of VSBC have experience of more than three decades in the ship-breaking industry.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	1.76	0.01
PBILDT	-0.13	-1.04
PAT	0.19	0.11
Overall gearing (times)	0.00	0.00
Interest coverage (times)	-0.31	-4.56

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

Status of non-cooperation with previous CRA: Not applicable

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		-	-	-	47.00	CARE BB; Stable / CARE A4
Non-fund-based - ST-Credit Exposure Limit		-	-	-	1.08	CARE A4
Non-fund-based - ST-Standby Line of Credit		-	-	-	7.00	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 - LT/ ST-Letter of credit	LT/ST	47.00	CARE BB; Stable / CARE A4	1)CARE BB; Stable / CARE A4 (01-Jul-24)	1)CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (20-Mar-24)	1)CARE BB; Stable / CARE A4 (27-Mar-23)	1)CARE BB; Stable / CARE A4 (21-Mar-22) 2)CARE BB-; Stable / CARE A4 (06-Apr-21)
2	Non-fund-based - ST-Credit Exposure Limit	ST	1.08	CARE A4	1)CARE A4 (01-Jul-24)	1)CARE A4; ISSUER NOT COOPERATING* (20-Mar-24)	1)CARE A4 (27-Mar-23)	1)CARE A4 (21-Mar-22) 2)CARE A4 (06-Apr-21)
3	Non-fund-based - ST-Standby Line of Credit	ST	7.00	CARE A4	1)CARE A4 (01-Jul-24)	1)CARE A4; ISSUER NOT COOPERATING* (20-Mar-24)	1)CARE A4 (27-Mar-23)	-

*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 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
3	Non-fund-based - ST-Standby Line of Credit	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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