Vert Line Marine Bunkers Private Limited

April 01, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	23.00	CARE BB+; Stable	Assigned
Short-term bank facilities	32.00	CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Vert Line Marine Bunkers Private Limited (VLMBPL) factor in moderate scale of operations, thin profitability, profitability susceptible to geopolitical factors and fluctuating fuel prices, moderate capital structure and marginally weak debt coverage indicators, competitive industry, and environmental regulations. However, ratings derive comfort from notable growth in revenue in FY25, experienced and resourceful promoters, favourable location of operations, and strong customer base with high-value clients ensuring revenue stability.

Ratings also factor the company's financial performance in 9MFY25.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in total operating income (TOI) to above ₹300 crore while maintaining steady profit margins.
- Overall gearing improving to below 1x, going forward.

Negative factors

- Any significant decline in TOI or profit before interest, lease rentals, depreciation, and taxation (PBILDT) by over 20% year-on-year.
- Deterioration in capital structure, represented by overall gearing ratio weakening to beyond 3x.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) expects that the entity will benefit from its longstanding position in the industry and established relationship with customers and suppliers.

Detailed description of key rating drivers:

Key weaknesses

Moderate scale of operations with notable growth in current year

The company's TOI grew at a compounded annual growth rate (CAGR) of 9.42% over the past four years, ending in FY24. However, TOI declined by ~25% to ₹112.65 crore in FY24 compared to FY23 due to a shortage of very low sulphur fuel oil (VLSFO) in Andhra Pradesh. With nearby refineries now producing VLSFO in large quantities, there has been no shortage post-FY24. The company reported a TOI of ~₹270 crore for the first nine months of FY25 and is projected to close the year at ~₹360 crore. It has a modest net worth base, which stood at ₹7.35 crore as on March 31, 2024.

Thin profitability

VLMBPL's profitability margins remained thin, as evidenced by a PBILDT margin of 0.98% in FY24, reflecting a year-on-year improvement of 36 basis points due to a reduction in overhead costs, despite sales realisation remained muted owing to a competitive landscape. The profit after tax (PAT) margin remained modest due to the thin PBILDT margin. Return on capital employed (ROCE) stood at a modest 6.09% in FY24, compared to 5.94% in FY23, with a fixed asset turnover ratio of 105.53x in FY24 (PY: 145.05x).

Profitability susceptible to geopolitical factors and fluctuating fuel prices

The company's operations are vulnerable to geopolitical tensions that disrupt global trade and supply chains, impacting both demand and supply. These disruptions affect the number of ships calling at Indian ports, directly influencing the company's business. Fluctuations in fuel prices, a key operating cost, can significantly impact profitability by eroding margins and making pricing and budget management challenging. As a result, the company remains exposed to both fuel price volatility and shifts in shipping activity.

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

Moderate capital structure and marginally weak debt coverage indicators
The entity's capital structure remained moderate, as reflected in an overall gearing ratio of 1.4x as on March 31, 2024 (compared to 1.07x as on March 31, 2023), with a high reliance on external debt. Its debt profile primarily comprises working capital debt and unsecured loans from promoters. The moderation in the capital structure was driven by an increase in working capital borrowings. The total outside liabilities-to-net worth ratio (TOL/TNW) stood at a moderate 1.47x as of March 31, 2024, improving from 1.13x as on March 31, 2023.
Debt coverage indicators remained marginally weak, as reflected in a moderate PBILDT interest coverage ratio of 1.13x in FY24, compared to 1.11x in FY23, and a high total debt-to-GCA ratio of 88.11x in FY24, up from 52.04x in FY23. The moderation during the year was due to increase in debt levels while the profitability remained stable.

Competitive industry and environmental regulations
The fuel bunker industry in India is highly competitive due to several factors: the country's strategic geographical location and extensive coastline make it a pivotal hub for global maritime trade, driving high demand for bunker fuels. Companies must comply with stringent environmental regulations, such as the IMO 2020 sulphur cap, requiring significant investment in cleaner fuels. The market is characterised by intense competition among suppliers, who focus on price competitiveness and product quality to gain an edge. Technological advancements in fuel production and delivery, and the expansion of port infrastructure, further enhance the competitiveness of the industry.

Key strengths
Experienced and resourceful promoters
VLMBPL is promoted by Sudhakar Kaligithi, an MBA graduate with over two decades of experience in marine operations and the bunkering business. He has a proven track record of managing marine fuel supply chains and delivering customer service across major port locations in India, the Middle East, Singapore, and other ports worldwide. Sudhakar Kaligithi, and his spouse, Shanthi Kiranmayi Kaligithi, oversees the day-to-day operations of the company. The promoters are resourceful and infuse funds in the form of unsecured loans to support the company's operations whenever required.

Favourable location of operations
India's strategic geographical location along with major international shipping routes, and its extensive 7,500 km coastline, positions it as a key hub for global maritime trade. With over 200 major and minor ports facilitating a high volume of vessel traffic, the demand for bunker fuel remains strong. The government's push to develop port infrastructure under the Sagarmala project, and initiatives to enhance ease of doing business in the maritime sector, further strengthens India's appeal as a bunkering hub. The presence of major oil refineries capable of producing high-quality bunker fuels and competitive pricing compared to regional alternatives also contribute to India's growing prominence in the global bunker fuel market.

Strong customer base with high-value clients ensuring revenue stability
The company benefits from a strong customer base comprising large and established clients, which enhances revenue stability and business sustainability. In FY24, the top five customers contributed ~42% of the total turnover, increasing to ~60% in 9MFY25, reflecting deep-rooted relationships with major industry players. These long-term associations with high-value clients provide consistent order flow, reduce the risk of payment defaults, and strengthen the company's bargaining power. Dealing with well-established entities ensures better creditworthiness and operational predictability, positioning the company for sustained growth.

Liquidity: Stretched
Liquidity remains stretched, as indicated by the moderately high utilisation of working capital limits and reliance on promoters' funds for debt repayment. In the 12 months ending February 2025, the average utilisation of the fund-based working capital limit of ₹22.90 crore stood at 79.12%, while the ₹30 crore non-fund-based limits were utilised at 43.53%. Net cash flow from operations was negative at ₹0.30 crore in FY24, and the unencumbered cash and bank balance stood at ~₹0.04 crore as on March 31, 2024. Operations are highly working capital-intensive, with net working capital accounting for ~92% of capital employed as on March 31, 2024. Both the current ratio and quick ratio remained comfortable at 1.62x as on March 31, 2024. There have been no instances of overdrawing or reliance on ad-hoc limits.

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
Port & Port services
Financial Ratios – Non financial Sector
Short Term Instruments
Wholesale Trading
Shipping Companies

About the company and industry
Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Transport services	Shipping

Based in Visakhapatnam, Andhra Pradesh, VLMBPL was incorporated on August 03, 2016, by Sudhakar Kaligithi. The company operates in the bunkering business, supplying fuel to vessels at ports and offshore locations. Its product portfolio includes VLSFO and high flash high speed diesel (HFHSD), which are procured from Indian oil companies and sold to vessels docking at Indian ports. Approximately 80% of the company's revenue is generated from ports in Andhra Pradesh, while the remaining 20% comes from ports in Tamil Nadu and other states.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	151.05	112.65	269.68
PBILDT	0.94	1.10	5.31
PAT	0.01	0.01	2.35
Overall gearing (times)	1.07	1.40	2.69
Interest coverage (times)	1.11	1.13	2.78

A: Audited UA: Unaudited; 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
Fund-based - LT-Cash Credit		-	-	-	22.90	CARE BB+; Stable
Fund-based - LT-Term Loan		-	-	05-Mar-2027	0.10	CARE BB+; Stable
Non-fund-based - ST-BG/LC		-	-	-	30.00	CARE A4+
Non-fund-based - ST-Forward Contract		-	-	-	2.00	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	Fund-based - LT-Cash Credit	LT	22.90	CARE BB+; Stable				
2	Fund-based - LT-Term Loan	LT	0.10	CARE BB+; Stable				
3	Non-fund-based - ST-BG/LC	ST	30.00	CARE A4+				
4	Non-fund-based - ST-Forward Contract	ST	2.00	CARE A4+				

LT: Long term; ST: 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	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple
4	Non-fund-based - ST-Forward Contract	Simple

Annexure-5: Lender details

To view 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

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About us:
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