

## Malwi Ship Breaking Co.

June 23, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	53.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	Downgraded from CARE BB+; Negative / CARE A4+ and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	0.98	CARE A4; ISSUER NOT COOPERATING*	Downgraded from CARE A4+ and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

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

### Rationale and key rating drivers

CARE Ratings Limited ("CareEdge Ratings") has been seeking information from Malwi Ship Breaking Co. (MSB) to monitor the ratings vide e-mail communications dated April 28, 2025, May 12, 2025, May 26, 2025, June 10, 2025 among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CareEdge Ratings has reviewed the ratings on the basis of the best available information which however, in CareEdge Ratings opinion is not sufficient to arrive at a fair rating. Further, MSB has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on MSB's bank facilities will now be denoted as CARE BB; Stable /CARE A4; ISSUER NOT COOPERATING\*. **Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.**

Ratings and outlook have been revised on account of non-availability of the requisite information to conduct the review. The ratings assigned to the bank facilities of MSB continues to remain constrained due to fluctuating scale of operations, deterioration in debt coverage indicators with operational losses and moderate net worth base during FY24 (Provisional, FY refers to period from April 01 to March 31). The ratings further continue to remain constrained on account of its exposure to adverse movement in steel prices and forex rates, presence in cyclical and competitive ship recycling industry along with exposure to regulatory and environment hazard risk and MSB's partnership nature of constitution. The ratings however continue to derive comfort from MSB's extensive experience of promoters in the ship recycling industry and its presence at Alang-Sosiya region which is one of the largest ship- recycling yards of the world, NK class and RINA certification leading to lower procurement cost of ships along with adequate liquidity position.

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects that MSB continue to reap benefit from the extensive experience of the promoters in the industry along with its location advantage with presence in the Alang -Sosiya region.

### Detailed description of key rating drivers:

At the time of last rating on June 06, 2024, the following were the rating weaknesses and strengths considered.

#### Key weaknesses

##### Fluctuating scale of operations with operational losses

Over the years, the scale of operations as marked by TOI has remained moderate and varied as per the availability of ship for cutting along with the volatility associated with steel prices. During FY24, TOI of the firm declined at Rs.38.01 crore as against Rs.70.52 crore in FY23 mainly due to decline in ship recycling activity during the year. MSB incurred operating losses of Rs.0.44 crore during FY24 as against operational profit of Rs.2.62 crore in FY23 mainly on the back of declining trend in steel prices along with some fixed charges. However, it reported PAT of Rs.0.09 crore on the back of interest income from bank and Green Plot subsidy received during the year. PAT margin however remained thin at 0.24% in FY24 (1.12% in FY23).

##### Moderate net worth base and weak debt coverage indicators

MSB's total debt primarily comprises of outstanding LC obligations against the purchase of ship along with meagre utilization of fund based working capital limit. The capital structure remains moderate due to outstanding LC amount of Rs.3.65 crore as on March 31, 2024. Net worth remained moderate as on March 31, 2024 at Rs.14.11 crore. Further, debt coverage indicator remained weak marked by operating losses in FY24. However, the amount of interest income and green plot subsidy income will provide cushion towards repayment of financial charges.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

### **Exposure to adverse movement in steel prices and forex rates**

The volatility in steel prices is driven by demand and supply conditions in the global as well as local markets which exposes MSB 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). However, entity is doing hedging as per market situation thus mitigating exposure to certain extent.

### **Presence in cyclical and competitive ship recycling industry**

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, ship availability is adversely impacted due to high freight prices in FY23 and FY24. Going further, with decline in freight rates, better ship availability is expected from H2FY25 onwards. Further, Indian ship-recycling yard face intense competition from the neighbouring countries like Bangladesh and Pakistan due to availability of low wage labour, lax 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-recycling industry is highly regulated with strict working and safety standards to be maintained by the ship-breakers 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. The Act imposes a statutory duty on ship recyclers to ensure safe and environmentally sound removal and management of hazardous materials from a ship. It further imposes an obligation on a ship recycler to ensure that there is no damage caused to the environment in any form due to the recycling activities at the ship recycling facility. Thus, any adverse circumstances or event may affect the business operations of entities.

### **Key strengths**

#### **Established track record of operations and extensive experience of partners in the ship-recycling industry**

MSB is one of the oldest entities in ship- recycling industry at Alang and has been successfully able to operate its business through various business cycles. Mr. Farookbhai Malwi, key partner of MSB, has over three decades of experience in the ship recycling industry. Other partners are Mr. Javedbhai Lakhani and Mr. Iqbalbhai Lakhani. Overall operations are managed jointly by the partners.

#### **Presence at Alang- Sosiya region which is one of the largest ship- recycling yards of the world**

MSB's ship recycling yard is located at Alang-Sosiya belt, which constitutes nearly 90% of India's ship- recycling activities and it is India's largest ship- recycling cluster and is also among the one of the largest ship recycling yard cluster of the world. 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 140 plots spread over around 10 km long stretch along the seacoast of Alang-Sosiya (Source: Gujarat Maritime Board). MSB has one plot to carry out its ship recycling business at Alang which is leased out by Gujarat Maritime Board (GMB) on a 10-year lease which gets renewed on expiry.

#### **RINA and NK class Certification of ship recycling facility**

Various agencies including NK, RINA among others 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. Certification like NK class gives ship recycler an advantage to source ships at marginally better prices compared with market rates. MSB's yard is RINA and NK class certified (valid till August 2026).

### **Applicable criteria**

[Criteria on Information Adequacy Risk and Issuer Non-Cooperation](#)

[Definition of Default](#)

[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

Malwi Ship Breaking Co. (MSB) a partnership firm established in 1983 by Mr. Mohammad Faruk Malwi and Mr. Iqbal Lakhani to operate ship- recycling business from a leased-out plot of 52\*45 meters located in the Alang- Sosiya belt of Bhavnagar region, Gujarat. The firm is currently managed by Mr. Mohammad Faruk Malwi, Mr. Irshad Malwi, Mr. Iqbal Lakhani and Mr. Javed Lakhani. The promoters have experience of more than three decades in the ship- recycling industry. The ship recycling facility of MSB is RINA and NK class certified.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)
Total operating income	70.52	38.01
PBILDT	2.62	-0.44
PAT	0.79	0.09*
Overall gearing (times)	-	0.26
Interest coverage (times)	1.49	NM

A: Audited, P: Provisional, \*Tax rate assumed @30%, NM: Not meaningful. Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** CRISIL has reviewed ratings assigned to the bank facilities of MSB into 'Non-Cooperation' vide press release dated February 25, 2025 on account of non-cooperation by MSB with CRISIL's efforts to undertake a review of the ratings outstanding.

**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
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	53.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Credit Exposure Limit		-	-	-	0.98	CARE A4; ISSUER NOT COOPERATING*

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

**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	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	53.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB+; Negative / CARE A4+ (06-Jun-24)	1)CARE BB+; Stable / CARE A4+ (17-May-23)	-
2	Non-fund-based - ST-Credit Exposure Limit	ST	0.98	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+ (06-Jun-24)	1)CARE A4+ (17-May-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	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	Simple
2	Non-fund-based - ST-Credit Exposure Limit	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](mailto:care@careedge.in) for clarifications.

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