

Mahavir Ship Breakers

June 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	67.00	CARE BB-; Stable / CARE A4	Reaffirmed
Short Term Bank Facilities	1.34	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Mahavir Ship Breakers (MSB) continue to remain constrained on account of its fluctuating scale of operations and profitability, moderate net-worth base with extension of loans and advances to other entities and weak debt coverage indicators. The ratings, further continues to remain constrained due to partnership nature of constitution, susceptibility of operating profitability to adverse movement in steel prices and forex rates, exposure to regulatory and environmental hazard risks and cyclical nature associated with ship recycling industry coupled with competition from global peers. The ratings, however, derive strength from the extensive experience of the partners in the ship-recycling industry, location of yard at Alang which has unique geographical features suitable for ship-recycling operations, and NK class certification leading to lower procurement cost of ships.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operations with Total operating income (TOI) of more than Rs. 85.00 crore with PBILDT margin above 7% on sustained basis
- Improvement in LC coverage above 1.20x on sustained basis during periods where ship-recycling activity is being undertaken

Negative factors

- Withdrawal of capital or net losses leading to decline in net worth
- Decline in LC coverage below 1.10x on sustained basis

Analytical approach: Standalone

Outlook: Stable

The outlook on the long-term rating of MSB is "Stable" considering the long 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:

Key weaknesses

Fluctuating scale of operations and profitability

Revenue from ship recycling activity of MSB remains fluctuating depending upon the availability of ship for dismantling. MSB's TOI remained low at Rs.21.36 crore and Rs.15.35 crore in FY25 and FY24 respectively owing to lower ship recycling activities with limited availability of ships and volatility in steel prices coupled with increased competition from neighbouring countries. MSB has procured one ship during FY25 of 4,713 metric tonnes. Also, over the last five years, profitability of the firm has remained highly volatile marked by PBILDT margin in the range of 2.8% to 21.00% due to fluctuating scrap prices.

Moderate net-worth base and weak debt coverage indicators

MSB's net-worth base remained moderate at Rs.15.64 crore as on March 31, 2025. MSB's total debt as on March 31, 2025, remained at Rs.20.32 crore comprised of unsecured loans and working capital facilities. Further, it has extended loans to related parties of Rs.17.41 crore as on March 31, 2025. Further, during FY25, MSB's debt coverage indicator remained weak marked by interest coverage ratio of 0.58x and TDGCA of 27.89x as on March 31, 2025, as against 0.37x and 10.80x as on March 31, 2024.

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

Partnership nature of constitution

MSB is a partnership firm which restricts its financial flexibility and there is an inherent risk of withdrawal of capital by the partners from the firm. Distribution of profits of the business by way of withdrawal from partners can adversely impact net-worth base and capital structure of the entity.

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 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.

Cyclicality associated with ship recycling industry coupled with competition from global peers

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. These freight rates take into account the global demand of seaborne transport and supply of new vessels which in turn depends 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.

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-recyclers 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.

Key strengths**Extensive experience of the partners in the ship-recycling industry**

Mahavir Ship Breakers (MSB) was established as partnership firm in 1983 by Mr. Mukesh Chand Jain. Promoted by Mukesh Chand Jain and family members, operations of MSB are managed by Mr. Mukesh Chand Jain and his younger brother Mr. Dinesh Jain. Mukesh Chand Jain has more than four decades of experience in the ship recycling industry.

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

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. 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 (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) having frontage of 72 meters (second largest in terms of frontage size). The lease expires in March 2026. The ship-recycling activity depends upon the prices of old vessels (which depend on international trade volumes and regulations governing plying of ships) as well as price of steel, as the scrap generated from ship recycling activity is used for making steel, which competes with the price of steel made from other routes (primarily from iron ore through blast furnace).

NK class ship recycling facility leading to lower procurement cost of ships

MSB's yard is NK class certified (valid till March 2026). 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.

Liquidity: Stretched

MSB has stretched liquidity marked by low cash accruals, low cash and liquid investments and moderate liquidity ratios. The firm has reported GCA of Rs. 0.73 crore during FY25 as against Rs.0.95 crore in FY24. Current ratio and the quick ratio for MSB stood at 1.52 times and 1.17 times as on March 31, 2025. Cash and liquid investments remained at Rs.0.34 crore as on March 31, 2025. However, there are no long-term debt repayment obligation for the entity.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Wholesale Trading](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

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

Mahavir Ship Breakers (MSB) was established in 1983 as a partnership firm and is engaged in ship recycling activity at its plot having size of 3,240 square metres at the Alang-Sosiya belt of Bhavnagar region in Gujarat along with frontage of 72 metres. The firm is also engaged into the business of dismantling of old plant and machineries and trading of steel and related products. The firm is managed by Mukesh Jain and family who is having have more than two decades of experience in the ship recycling industry. MSB's yard is NK class certified.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	15.35	21.36
PBILDT	0.44	0.95
PAT	0.59	0.28
Overall gearing (times)	0.65	1.30
Interest coverage (times)	0.37	0.58

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

Status of non-cooperation with previous CRA: ICRA had reviewed the ratings of MSB, under "Issuer Not cooperating" category vide its press release dated May 13, 2024, on account of its inability to carry out a rating surveillance in the absence of the requisite information from the entity. CRISIL had reviewed the ratings of MSB, under "Issuer Not cooperating" category vide its press release dated May 19, 2025, on account of its inability to carry out a rating surveillance 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		-	-	-	67.00	CARE BB-; Stable / CARE A4
Non-fund-based - ST-Credit Exposure Limit		-	-	-	1.34	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	67.00	CARE BB-; Stable / CARE A4	-	1)CARE BB-; Stable / CARE A4 (07-Jun-24)	-	-
2	Non-fund-based - ST-Credit Exposure Limit	ST	1.34	CARE A4	-	1)CARE A4 (07-Jun-24)	-	-

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 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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