

Shubh Arya Steel Private Limited

June 16, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	20.00	CARE BB; Stable	Reaffirmed
Short Term Bank Facilities	110.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of Shubh Arya Steel Private Limited (SASPL) continue to remain constrained due to its moderate and fluctuating scale of operations, moderate profitability, exposure to adverse movement in steel prices and forex rates. The ratings are also constrained due to cyclicalities associated with ship recycling industry coupled with competition from global peers and exposure to regulatory and environment hazard risk. The ratings, however, continue to derive strength from experienced promoters and long track record of operations in ship recycling industry with certification for green recycling, moderate debt coverage indicators and capital structure, and its presence in one of largest ship recycling yard at Alang-Sisoya belt.

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. 125 crores while maintaining PBILDT margin of more than 5% on a sustained basis.
- Improvement in LC coverage ratio above 1.2 times on sustained basis.

Negative factors

- Scale of operations below Rs.60 crore alongside PBILDT margins of lower than 3% on a sustained basis.
- Decline in LC coverage ratio to less than 1.1 times on sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that SASPL 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

Moderate and fluctuating scale of operations and profitability

Over the years, TOI of SASPL has remained moderate and volatile per the availability of ship for cutting along with the volatility associated with steel prices. TOI of SASPL declined from ₹88.49 crore in FY24 to ₹32.09 crore in FY25 as entity did not procure any ships in FY25 on account of lower availability of ships for dismantling as well as volatile and lower realisations of steel scrap. PBILDT margin of SASPL have remained fluctuating and moderate due to low value additive nature of business apart from impact of volatile steel prices and forex rates. The PBILDT margins of the company has moderated from 2.29% in FY24 to 2.13% in FY25.

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 SASPL 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).

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

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

Experienced promoters and long track record of operations

SASPL is promoted by Mr. Pritikar Arya along with Ms. Premlata Arya and is engaged in ship recycling activity. Mr. Pritikar Arya has more than three decades of experienced and is actively involved in operation of the company. Ms. Premlata Arya, also has more than three decades of experience. SASPL had long track record of operations of over two decades and had recycled more than 100 ships with capacity ranging from 600 metric tonnage (MT) to very large crude carriage (VLCC) of around 25,000 MT.

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

SASPL's yard is NK class certified (valid till October 2028). 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.

Moderate capital structure and debt coverage indicators

Overall gearing remained at 1.26x as on March 31, 2024, with o/s LC backed creditors. However, with no o/s LC as on March 31, 2025, total debt remains minimal at Rs.0.03 crore against net worth of Rs.24.89 crore. During FY25, the debt service coverage indicators remained moderate marked by PBILDT Interest coverage of 2.19x (P.Y.: 2.20x) and Total Debt/GCA of 0.04x as on March 31, 2025 (PY:10.73x).

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

SASPL'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). 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).

Liquidity: Stretched

The liquidity position is stretched characterized by low accruals of Rs.0.76 crore in FY25. However, cash and cash equivalents stood moderate at Rs. 3.41 crore as on Mar 31, 2025. Further, it has no term loans and term debt on its books as on balance sheet date. The net cash flow from operating activities stood negative at Rs. 3.98 crore as on Mar 31, 2025, owing to lower operating profits and no lc backed creditors as on March 31, 2025, against Rs.31.08 crore of lc backed creditors as on March 31, 2024. Further, the current ratio stood comfortable at 2.75 times and quick ratio stood at 2.27 times as on Mar 31, 2025. Entity did not utilise fund-based limits in FY25 as no ships were procured. Further, LC utilization stood low at 3% for SASPL for the past twelve months ended March 2025.

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

Incorporated in 1999 as partnership firm, SASPL (CIN: U35117MH1999PTC119169) is one of the oldest ship recycling entities in the ship-recycling industry at Alang-Sosiya belt of Bhavnagar region in Gujarat. SASPL is engaged in ship recycling activity at plot no. 5 with total plot size of 4320 sq. meters having frontage of 90 meters. SASPL is carried out operations at premises leased out by Gujarat Maritime Board (GMB) and is compliant under "Green recycling – Guidelines for Safe and Environmentally Sound Ship Recycling, adopted by resolution MEPC.210 (63)" Class NK.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	88.49	32.09
PBILDT	2.03	0.68
PAT	2.11	0.15
Overall gearing (times)	1.26	0.00
Interest coverage (times)	2.20	2.19

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		-	-	-	20.00	CARE BB; Stable
Non-fund-based - ST-Letter of credit		-	-	-	110.00	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 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	Fund-based - LT-Cash Credit	LT	20.00	CARE BB; Stable	-	1)CARE BB; Stable (02-Jul-24)	1)CARE BB; Stable (24-May-23)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (09-Jan-23)
2	Non-fund-based - ST-Letter of credit	ST	110.00	CARE A4	-	1)CARE A4 (02-Jul-24)	1)CARE A4 (24-May-23)	1)CARE A4; ISSUER NOT COOPERATING* (09-Jan-23)

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

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	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any 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 Saikat Roy Senior Director CARE Ratings Limited Phone: 912267543404 E-mail: saikat.roy@careedge.in	Sajni Shah Assistant Director CARE Ratings Limited Phone: 079-40265636 E-mail: Sajni.Shah@careedge.in
	Karan Mehta Analyst CARE Ratings Limited E-mail: Karan.mehta@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the Reserve Bank of India. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit. For more information: www.careratings.com

Disclaimer:

This disclaimer pertains to the ratings issued and content published by CARE Ratings Limited ("CareEdge Ratings"). Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. Any opinions expressed herein are in good faith and are subject to change without notice. The rating reflects the opinions as on the date of the rating. A rating does not convey suitability or price for the investor. The rating agency does not conduct an audit on the rated entity or an independent verification of any information it receives and/or relies on for the rating exercise. CareEdge Ratings has based its ratings/outlook on the information obtained from reliable and credible sources. CareEdge Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. The users of the rating should rely on their own judgment and may take professional advice while using the rating in any way. CareEdge Ratings shall not be liable for any losses that user may incur or any financial liability whatsoever to the user of the rating. The use or access of the rating does not create a client relationship between CARE and the user.

CAREEDGE RATINGS DISCLAIMS WARRANTY OF ANY KIND, EXPRESS, IMPLIED OR OTHER WARRANTIES OR CONDITIONS, TO THE EXTENT PERMITTED BY APPLICABLE LAWS, INCLUDING WARRANTIES OF MERCHANTABILITY, ACCURACY, COMPLETENESS, ERROR-FREE, NON-INFRINGEMENT, NON-INTERRUPTION, SATISFACTORY QUALITY, FITNESS FOR A PARTICULAR PURPOSE OR INTENDED USAGE.

Most entities whose bank facilities/instruments are rated by CareEdge Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CareEdge Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. CareEdge Ratings does not act as a fiduciary by providing the rating. The ratings are intended for use only within the jurisdiction of India. The ratings of CareEdge Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades. CareEdge Ratings has established policies and procedures as required under applicable laws and regulations which are available on its website.

Privacy Policy applies. For Privacy Policy please refer to https://www.careratings.com/privacy_policy

© 2025, CARE Ratings Limited. All Rights Reserved.

This content is being published for the purpose of dissemination of information. Any use or reference to the contents herein on an "as-is" basis is permitted with due acknowledgement to CARE Ratings. Reproduction or retransmission in whole or in part is prohibited except with prior written consent from CARE Ratings.

**For detailed Rationale Report and subscription information,
please visit www.careratings.com**