

## VMS Industries Limited

August 22, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term / Short-term bank facilities	202.00 (Enhanced from 138.00)	CARE BBB-; Stable / CARE A3	Reaffirmed
Short-term bank facilities	5.50	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation in the ratings assigned to the bank facilities of VMS Industries Limited (VIL) considers growth in scale of operations during FY25 (Audited, refers to April 01 to March 31). The operational growth is on the back of ship recycling activities undertaken under the contract entered with Welspun Corp Limited (WCL) which provided operational continuity in the absence of availability of ships. Ratings continue to derive strength from experienced promoters with long track record of operations in the ship recycling industry, entity's presence at strategic location in Alang-Sosiya region - one of the largest ship-recycling yards in India and NK certification of ship recycling facility leading to low procurement of ships. Ratings also factor in the company's adequate liquidity position, supported by the rights issue completed in H1FY25.

The ratings however continue to remain constrained due to VIL's moderate profitability margins and debt coverage indicators, inherent uncertainties regarding future revenue visibility and exposure of advances to group entity. The ratings further continue to remain constrained due to profitability susceptible to volatile steel prices and foreign exchange rate fluctuations, cyclical ship-recycling industry with its regulatory and environmental risks and high competition from neighbouring countries.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Scaling up of operations with total operating income (TOI) growing to over ₹200 crore through core ship recycling and trading activity with improvement in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin above 3% on a sustained basis.
- Sustenance of in letter of credit (LC) coverage ratio above 2x.

#### Negative factors

- Deterioration in LC coverage below 1.10x.
- Further advances to group company, impacting the liquidity profile.

### Analytical approach: Standalone

#### Outlook: Stable

The outlook on the long-term rating of VIL is "Stable" CARE Ratings Limited's (CareEdge Ratings) considering experienced promoters in the industry and its location advantage with presence in the Alang-Sosiya region.

### Detailed description of key rating drivers:

#### Key strengths

##### Growth in scale of operations albeit moderate profitability margins

The scale of operations as marked by TOI reported substantial growth in FY24 and FY25 supported by ship recycling contracts executed with WCL (rated CARE AA+; Stable/ CARE A1+) for dismantling and lifting of ship scrap and increase in trading ferrous and non-ferrous scrap items in FY24 and in FY25. This arrangement provided operational continuity in the absence of available ships. Nevertheless, the revenue visibility for future period is yet to be seen in the event of completion of work order entered with WCL and unavailability of ship for recycling. Through these contracts, VIL generated aggregate TOI of ₹331.08 crore in FY24 and FY25. TOI remained at ₹288.56 crore in FY25 against ₹266.37 crore in FY24 with ship recycling and trading sales ratio of 60:40 in consistency with FY24. With increase in TOI, operating profits grew by 30% to ₹7.91 crore in FY25 in absolute terms however,

<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.

PBILDT margin continue to remain moderate at 2.74% in FY25 against 2.28% in FY24. PAT margin remained stable at 2.36% in FY25 (FY24: 2.35%).

### **Experienced promoters with long track record of operations in the ship recycling industry**

VIL's promoter is one of the oldest in the ship-recycling industry of Alang, Gujarat and has successfully run the business through different business cycles. Manoj Kumar Jain (chairperson and managing director) of VIL is a qualified chartered accountant with almost three decades of experience in the ship-recycling industry and ferrous and nonferrous metal trading business. Promoters promoted another company VMS TMT Limited (VTL), which is engaged in manufacturing TMT bars and Aditya Ultra Steel Limited (AUSL), which is engaged in the business of TMT bars, iron, and other steel products.

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

VIL's yard is at Alang-Sosiya belt, which is considered to be one of the world's largest ship-recycling yards and caters ~90% of India's ship-recycling activity. The unique geographical features of the area, including a high tidal range, wide continental shelf, adequate slope, and mud-free coast, are ideal for even large-sized ships to be beached easily in high tide. It accommodates ~150 plots spread over ~10-km-long stretch along the seacoast of Alang. VIL owns one plot of ~2700 square metres to carry out its ship recycling business at Alang, which is leased out by Gujarat Maritime Board (GMB).

### **NK class ship recycling facility**

VIL complied to "Green recycling - Guidelines for Safe and Environmentally Sound Ship Recycling, adopted by IMO resolution MEPC.210 (63)", which is certified by Nippon Kaiji Kyokai, Tokyo, having validity till April 2025. These compliances are in relation to adopting more environment-friendly practices and is expected to result in relatively lower procurement cost/attract certain class of sellers as major shipping players give preference to companies with ship recyclers with green recycling certificate.

### **Key weaknesses**

#### **Moderate debt coverage indicators and exposure of advances to group entity**

Debt coverage indicators continue to remain moderate as marked by an interest coverage ratio declining from 3.69x in FY24 to 2.73x in FY25 due to increase in finance cost from ₹1.64 crore in FY24 to ₹2.90 crore in FY25. Increase in finance costs is due to processing and documentation charges incurred for fresh sanction of WC limits of ₹30 crore. VIL shifted practice from opening a single LC to issuing multiple LCs for WCL orders leading to rise in LC opening and documentation charges.

VIL's capital structure, as marked by an overall gearing, improved to 0.54x as on March 31, 2025 against 1.63x as on March 31, 2024. The improvement is mainly driven by increase in net-worth following issuance of right shares of ₹28 crore in H1FY25 to meet up the working capital requirements. With the completion of WCL orders, creditors backed by LCs reduced from ₹95.90 crore as on March 31, 2024, to ₹36.28 crore as on March 31, 2025. Tangible net worth base remained at ₹94.11 crore as on March 31, 2025, increased from ₹63.90 crore as on March 31, 2024. However, VIL has extended ₹34.31 crore as on March 31, 2025 (₹27.93 crore as on March 31, 2024) to its group company VTL to support operations and fund recently completed capex.

#### **Profitability susceptible to adverse movement in steel prices and forex rates**

Steel price volatility driven by demand and supply conditions in global and local markets expose VIL to adverse price movement on the uncut ship inventory and unsold inventory of steel scrap held by the company (which generally remains 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 in the LC Usance period, as the entity's revenue is denominated in Indian Rupee (INR). However, VIL hedges per market situation, mitigating exposure to certain extent.

#### **Cyclicality associated with ship recycling industry and competition of 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. 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 CY25 onwards. Indian ship-recycling yard face intense competition from neighbouring countries such as Bangladesh and Pakistan due to availability of low wage labour, tax occupational health, 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 ship breakers for their labourers and environmental compliance. 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 due to recycling activities at the ship recycling facility. Thus, adverse circumstances or event may affect the entities' business operations.

#### **Liquidity: Adequate**

VIL's liquidity remained adequate characterised by moderate utilisation of working capital limits, moderate cash and bank balance and adequate LC coverage ratio. Average utilisation of fund-based working capital limits (combined of trading and ship recycling) remained at 30% for the past 12 months ended July 31, 2025. Average utilisation of Non fund based working capital limits (combined of trading and ship recycling) remained at 70% for the past 12 months ended July 31, 2025. LC coverage ratio continues to remain adequate at 2.53x as on March 31, 2025 (1.48x as on March 31, 2024) for trading and ship recycling indicating sufficient cushion in inventory and fixed deposits against its LC obligations. Cash and Bank balance remained healthy at ₹1.13 crore as on March 31, 2025. Operating cycle also remained comfortable at five days in FY25 against negative operating cycle of 11 days in FY24, mainly due to increase in trading inventories on year-end. Current ratio remained at 2.17x as on March 31, 2025 (1.08x 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

VIL was originally incorporated as 'Varun Management Services Private Limited' in 1991 and was reconstituted as a limited company from January 2010. VIL came out with an initial public offering in June 2011 and became a listed public limited company. VIL was earlier engaged in providing consulting and information technology (IT) services including computerisation of land revenue records, ration cards and ration shops for Bhavnagar Municipal Corporation and providing gas supply to ship recycling units at Alang, Gujarat. Since FY10, it is engaged in the ship breaking/recycling activity at Alang, Gujarat, which is the leading centre for ship breaking and recycling in Asia. VIL was allotted berth nos. 159 & 160, which was later merged as 160M to handle a peak level of 70,000 LDT (Light Displacement Tonnage).

Brief Financials (₹ Crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	266.37*	288.56
PBILDT	6.07*	7.91
PAT	6.25	6.80
Overall gearing (times)	1.63	0.54
Interest coverage (times)	3.69*	2.73

A: Audited UA: Unaudited; \*Deviated compared to last press release due to reclassification of certain income from operating income to Non-operating income. 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
LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG		-	-	-	202.00	CARE BBB-; Stable / CARE A3
Non-fund-based - ST-Credit Exposure Limit		-	-	-	5.50	CARE A3

**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	202.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (09-Jan-25)	1)CARE BBB-; Stable / CARE A3 (26-Dec-23)	1)CARE BBB-; Stable / CARE A3 (06-Jan-23) 2)CARE BBB-; Stable / CARE A3 (05-Apr-22)
2	Non-fund-based - ST-Credit Exposure Limit	ST	5.50	CARE A3	-	1)CARE A3 (09-Jan-25)	1)CARE A3 (26-Dec-23)	1)CARE A3 (06-Jan-23) 2)CARE A3 (05-Apr-22)

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 lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CareEdge 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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