

Kamdar and Associates

October 01, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	95.00	CARE BB+; Stable / CARE A4+	Downgraded from CARE BBB-; Negative / CARE A3
Short Term Bank Facilities	1.90	CARE A4+	Downgraded from CARE A3

Details of facilities in Annexure -1

Rationale and key rating drivers

For arriving at the ratings of Kamdar and Associates (KA), Panchvati Ship Breakers (PSB; CARE BB+; Stable / CARE A4+) and Sagar Laxmi Ship Breakers (SLSB; CARE BB+; Stable / CARE A4+), CARE Ratings Limited (CareEdge Ratings) has considered the combined business and financial profile of three entities, namely, KA, PSB and SLSB, collectively known as Kamdar Group (KAG). This is due to all the three entities operate in same line of business, i.e., ship recycling, and are jointly managed by a common set of promoters and have exhibited cash flow fungibility.

The revision in the ratings assigned to the bank facilities of KAG is on the back of fructification of negative sensitivity with consistent decline in scale of operations and cash loss reported in FY25 (FY refers to period from April 01 to March 31) leading to weakening of debt coverage indicators. The scale of operations continued to remain subdued in current year as well till 5MFY26. The ratings, further, continue to remain constrained on account of KAG's constitution as partnership firm, its exposure to adverse movement in steel prices and forex rates, presence in a cyclical industry as well as exposure to regulatory and environmental hazards risk along with stretched liquidity.

The ratings, however, derive comfort from the extensive experience of the partners in ship-recycling industry, along with presence of its ship-recycling yards at Alang which is India's largest ship-recycling cluster and certifications in place regarding environmental and worker safety for its yards. The ratings also derive strength from KAG's comfortable letter of credit (LC) coverage ratio.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in scale of operations with TOI more than Rs.300 crore along with improvement in PBILDT margin to more than 4% on a sustained basis.
- LC coverage ratio above 1.40x on a sustained basis [LC (letter of credit) coverage is defined as the ratio of an entity's outstanding inventory and fixed deposits (including margin money) to its outstanding fund based and non-fund-based bank borrowings.]

Negative factors

- Non availability of ship for extended period impacting the scale of operations or continued subdued profitability.
- Deterioration in LC coverage ratio below 1.15x on a sustained basis (considering the stipulation of 15% margin by the lender for LCs of KAG).

3.1 Analytical approach: Combined

For arriving at the credit rating, CareEdge Ratings has combined the business and financial risk profiles of KA, PSB and SLSB (together referred to as KAG) as all three entities operate in same line of business, i.e., ship recycling, are jointly managed by a common set of promoters and have exhibited cash flow fungibility.

Details of the entities combined are shown in **Annexure-6**.

Outlook: Stable

The 'Stable' outlook reflects CareEdge Ratings' expectations that the group shall continue to benefit from the extensive experience of its promoters in the ship recycling industry along with location advantage available to KAG.

Detailed description of key rating drivers

Key weaknesses

Decreasing scale of operations with reported cash loss leading to weak debt coverage indicators in FY25

Over the years, scale and profitability of the group on a combined basis has remained volatile depending upon the availability of ship for cutting along with the volatility associated with steel scrap prices.

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

KAG reported consistent deterioration in its TOI from Rs.298.53 crore in FY23 to Rs.127.80 crore in FY25 owing to limited availability of ships for recycling during the period (in line with adverse situation of overall ship-breaking industry due to higher freight cost).

The company's operating loss increased from Rs.0.63 crore in FY24 to Rs.10.63 crore in FY25 due to adverse impact of steel price volatility during the year. Subsequently, the group's net loss and cash loss increased from Rs.0.50 crore and Rs.0.11 crore respectively in FY24 to Rs.10.37 crore and Rs.10.03 crore respectively in FY25.

As a result, the group's debt coverage indicators deteriorated in line with profitability and remained weak in FY25, however, debt repayment was supported by interest income earned on loans and advances and subsidy received from government.

Constitution as a partnership firm

All the entities of KAG are partnership concerns 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 the net worth base and capital structure of the firms.

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 KAG 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 group. The group uses LC facility to purchase old ships. Since the transactions are denominated in foreign currency, the group is exposed to forex risk during the LC Usance period, as the group's revenue is denominated in Indian Rupee (INR). However, the group partially hedges its forex exposure as per market situation which mitigates the risk to certain extent.

Cyclical and competitive 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. This makes it economical to dismantle the ship rather than continue to operate it. However, currently, ship availability is adversely impacted due to high freight prices. Furthermore, Indian ship-recycling yard faces 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 in the Alang-Sosiya belt of Gujarat is highly regulated with strict working and safety standards to be maintained by the shipbreakers for their labourers and environmental compliance. Furthermore, the industry is prone to the risks related to pollution as it involves dismantling of ships which contain various hazardous substances like lead, asbestos, acids, hazardous paints, etc., that must be properly disposed-off as per the regulatory guidelines

Key strengths

Experienced promoter group in ship recycling industry

The Kamdar group is one of the oldest groups in ship-recycling industry at Alang and has been successfully operating the business through various business cycles for around four decades. Harshad Padia, key promoter, possesses an experience of over three decades in the ship-recycling industry. Due to Gujarat Maritime Board's (GMB's) policy of allotting only one plot to one entity, KAG set-up three different entities in similar line of business. It receives the benefit of economies of scale in the fragmented ship recycling industry and has relatively better bargaining power vis-à-vis its suppliers (mainly the shipping companies/ brokers selling old vessels) as well as its customers, viz., the re-rolling mills and the scrap traders. Furthermore, the promoters have on a need basis, infused funds in the form of unsecured loans/capital to support operations of various entities of the group.

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

The group's ship-recycling yards are located at Alang-Sosiya belt which is considered to be one of the world's largest ship-recycling yards and caters to nearly 90% of India's ship-recycling activity. The unique geographical features of the area, including a high tidal range, wide continental shelf, 15-degree slope, and a mud-free coast, are ideal for even large-sized ships to be beached easily during high tide. It accommodates nearly 170 plots spread over around 10-km-long stretch along the sea coast of Alang. All the yards of KAG have frontage of 80 meters.

NK class, IR class and RINA certification

Various agencies including Indian Register (IR) Quality Systems, Nippon Kaiji Kyokai (NK) and RINA 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. Some of these certifications are carried after an audit as per the guidelines laid down by the Hong Kong Convention of the International Maritime Organization (IMO) in 2009 and that under European Union regulations. KAG's ship-recycling yards also possess these certifications, which gives it an advantage to source ships at marginally better prices compared with market rates. KA and PSB have RINA as well as IR certification while yard under SLSB holds NK class certification.

Comfortable LC coverage ratio

KAG's total debt primarily comprises of outstanding LC obligations against the purchase of ships along with some utilization of fund based working capital limit which is used only for paying customs duty, port charges and IGST (on reverse charge basis) prior to beaching of the ship. During the year ended FY25, the group had outstanding LC of Rs.23.39 crores and low utilization of working capital limits resulting in low outstanding debt as on March 31, 2025. Owing to this, the capital structure of KAG remained comfortable with an overall gearing of 0.52x (PY: 0.56x) as on March 31, 2025.

Ship-breaking entities need to park their sale proceeds into fixed deposits (FDs) as per the schedule given by banks at the time of opening the LC for ship purchase, which are lien marked against the LC obligation towards purchase of the ship, in addition to the upfront margin kept for opening of the LC in favour of the supplier. This ensures gradual build-up of reserve funds to meet the sizeable LC payment obligations at maturity. KAG had LC coverage ratio of 1.44x while the group reported lien marked FDs of Rs.10.13 crore as on March 31, 2025.

Liquidity: Stretched

The group had stretched liquidity marked by cash loss reported during last couple of years and negative cash flow from operations (CFO) along with modest unencumbered cash and bank balance.

The group reported cash loss of Rs.10.03 crore in FY25 (PY: cash loss of Rs.0.11 crore) while CFO deteriorated significantly from positive Rs.8.83 crore in FY24 to negative Rs.18.49 crore in FY25 owing to increase in operating loss coupled with decrease in creditors (including LC acceptance) as on March 31, 2025. Unencumbered cash and bank balance remained at Rs.0.51 crore as on March 31, 2025 (PY: Rs.0.30 crore)

The average non-fund-based limit utilization for the past 12 months ended August 2025 remained at ~40-50% while fund based limit utilization remained low during same period as per banker verbal confirmation.

Also, the group has extended loans and advances to external parties amounting to Rs.21.21 crore as on March 31, 2025.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria:

[Consolidation](#)

[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

About the group-KAG

Kamdar Group (KAG) consists of three partnership firms, i.e., KA, PSB and SLSB incorporated in the years, 1984, 2000 and 2002, respectively. KAG, managed by the Padia family of Bhavnagar, is engaged in ship-recycling activity at three plots in the Alang – Sosiya belt of Bhavnagar region. All three plots have frontage of 80 meters, taken on lease from GMB for a period of one year and on completion of the tenure of agreement, the lease is renewed at prevailing lease rental rates.

About the firm - KA

KA was incorporated in 1984 by Mr. Harshad Padia and Mr. Raju Padia and is one of the oldest ship-recycling entities of the ship recycling facilities at Alang-Sosiya belt of Bhavnagar region in Gujarat.

Brief Financials (₹ crore) (Combined)	March 31, 2024 (UA)	March 31, 2025 (UA)
Total operating income	142.45	127.80
PBILDT	(0.63)	(10.63)
PAT	(0.50)	(10.37)
Overall gearing (times)	0.56	0.52
Interest coverage (times)	(0.14)	(4.05)

UA: Audited financials for FY24 and provisional financials for FY25 combined by CareEdge Ratings,
Note: these are latest available financial results

Brief Financials (₹ crore) – KA (Standalone)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	87.09	11.79
PBILDT	0.96	(2.95)
PAT	(0.23)	(3.32)
Overall gearing (times)	1.07	1.76
Interest coverage (times)	0.45	(4.25)

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 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	-	-	-	-	95.00	CARE BB+; Stable / CARE A4+
Non-fund-based - ST-Credit Exposure Limit	-	-	-	-	1.90	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	95.00	CARE BB+; Stable / CARE A4+	-	1)CARE BBB-; Negative / CARE A3 (09-Sep-24)	1)CARE BBB-; Stable / CARE A3 (20-Oct-23)	1)CARE BBB-; Stable / CARE A3 (02-Dec-22)
2	Non-fund-based - ST-Credit Exposure Limit	ST	1.90	CARE A4+	-	1)CARE A3 (09-Sep-24)	1)CARE A3 (20-Oct-23)	1)CARE A3 (02-Dec-22)

LT/ST - Long term / Short 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	Non-fund-based - LT/ ST-Letter of credit	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](#)

Annexure-6: List of entities consolidated / combined

Sr. No	Name of the Entity	Extent of consolidation	Rationale for consolidation
1	Kamdar and Associates	Full	Operational and financial linkages
2	Panchvati Ship Breakers	Full	Operational and financial linkages
3	Sagar Laxmi Ship Breakers	Full	Operational and financial linkages

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 for clarifications.

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