

Vijay Ship Breaking Corporation

March 31, 2026

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	47.00	CARE BB-; Stable / CARE A4	LT rating downgraded from CARE BB; Stable and ST rating reaffirmed
Short-term bank facilities	8.08	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Vijay Ship Breaking Corporation (VSBC) is considering lack of revenue generation in the last three years ended FY25, owing to unavailability of ship (for processing). Revenue visibility remains modest for current year as well.

Ratings continue to remain constrained considering firm's thin profitability, its presence in the cyclical and competitive ship-breaking industry, which is exposed to regulatory and environmental risks, and volatility in steel prices and foreign exchange rates.

However, ratings derive support from the promoters' extensive experience, the firm's moderate capital structure, and its strategic presence in the Alang-Sosiya region, one of the world's largest ship-breaking yards. Ratings also factor in the non-availability of ships for cutting over the past three years and the non-utilisation of bank limits.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in scale of operations along with profit below interest, lease, depreciation, and tax (PBILDT) margin of 4% or more.
- Increase in net worth base to over ₹15 crore.

Negative factors

- Deterioration in capital structure with overall gearing above 1.2x on sustained basis or withdrawal of capital.
- Letter of credit (LC) coverage ratio below 0.75x on a sustained basis.
- Continued ship unavailability leading to lack of revenue generation.

Analytical approach:

Standalone

Outlook: Stable

CARE Ratings Limited (CareEdge Ratings) believes that the firm will continue to benefit from the promoters' extensive experience in the ship-breaking industry.

Detailed description of key rating drivers:

Key weaknesses

Lack of revenue generation in the last few years

Over the years, VSBC's total operating income (TOI) has remained highly volatile, depending on the availability of ships for cutting and fluctuations in steel scrap and freight prices. The company has not registered any ship-breaking income in the last few years ended FY25.

However, in FY25, the firm reported non-operating income of ₹1.05 crore (similar to FY24), primarily considering interest earned on unsecured loans and mutual funds. Due to recurring expenses during the year, profit after taxation (PAT) stood at ₹0.09 crore. In the current year as well, VSBC has not had ships available for cutting.

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

Profitability susceptible to volatile steel prices and foreign exchange rate fluctuation

VSBC uses LCs for ship procurement. Since these transactions are denominated in US Dollars (USD), while the firm earns revenue in Indian Rupees (INR), it is exposed to forex risk in the LC usance period, with no natural hedge available. The firm partially hedges its open forex position; however, high hedging costs and the thin profitability of ship-breaking entities limit the extent of such hedging.

Moreover, steel prices are driven by demand and supply conditions in both global and domestic markets, exposing VSBC to adverse price movements on uncut ship inventory and on unsold steel scrap inventory held by it.

Presence in a cyclical ship-breaking industry which is characterised by regulatory and environmental hazard risk

The ship-breaking industry is cyclical in nature, as the supply of ships available for recycling is inversely related to the freight index. The freight index, in turn, depends on global demand for seaborne transport and the supply of new vessels, which are linked to global merchandise trade.

Additionally, the ship-breaking industry in the Alang-Sosiya belt of Gujarat is highly regulated, with strict requirements related to worker safety, labour conditions, and environmental compliance. The industry is also exposed to pollution-related risks, as ship dismantling involves handling hazardous materials such as lead, asbestos, acids, and toxic paints, which must be disposed of in accordance with regulatory guidelines.

Key strength**Extensive experience of partners in the ship-breaking industry**

VSBC's operations are managed by four partners, Bharatkumar J Kothari, Hiteshkumar R Ajmera, Samirbhai Ajmera, and Shailesh Kothari. Bharatkumar J Kothari and Hiteshkumar R Ajmera have over three decades of experience in ship-breaking industry.

Moderate capital structure

VSBC's total debt primarily comprises outstanding LC obligations against the purchase of ship and unsecured loans. The capital structure marked by overall gearing stood Nil as of FY25 end considering no outstanding debt due to no ship availability. The firm uses working capital limits only on need basis.

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

VSBC's ship-breaking yards are located in the Alang-Sosiya belt, one of the world's largest ship-breaking hubs, handling 90% of India's ship-breaking activity. The region's unique geographical features, including a high tidal range, wide continental shelf, 15-degree slope, and mud-free coastline, allow even large ships to be easily beached during high tide. The area comprises ~130 plots spread over a 10-km stretch along the Alang seacoast.

Liquidity: Stretched

VSBC's liquidity remained stretched marked by low gross cash accruals of ₹0.18 crore as of FY25 end. VSBC's cash flow from operations stood negative at ₹0.82 crore (negative ₹0.52 crore in FY24) with operating loss in FY25, though the company registered interest income of ~₹1 crore during the year. The working capital utilisation for both fund-based and non-fund-based limits remained nil considering unavailability of ship for cutting. As of FY25 end, unencumbered cash and bank balance stood at ₹0.53 crore. VSBC had mutual fund investment of ₹8.54 crore as on March 31, 2025.

Environment, social, and governance (ESG) risks

Not applicable

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 and supplies	Trading and distributors

VSBC, a partnership firm, was established by four partners in 1985 and is engaged in the ship-breaking business in the Alang-Sosiya belt of Bhavnagar region in Gujarat with a plot size of 2,790 square metres. VSBC's operations are carried out at the premises leased out by Gujarat Maritime Board (GMB) in Bhavnagar. The key partners of VSBC have experience of over three decades in the ship-breaking industry.

Brief Financials (₹ crore)	March 31, 2024 (A)	March 31, 2025 (A)
Total operating income	0.01	0.03
PBILDT	-1.04	-0.87
PAT	0.11	0.09
Overall gearing (times)	0.00	0.00
Interest coverage (times)	-4.56	NM

A: Audited UA: Unaudited; NM: Not Meaningful; Note: these are latest available financial results

*PBILDT: Profit before interest, lease rentals, depreciation, and tax

Status of non-cooperation with previous CRA:

None

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		-	-	-	47.00	CARE BB-; Stable / CARE A4
Non-fund-based - ST-Credit Exposure Limit		-	-	-	1.08	CARE A4
Non-fund-based - ST-Standby Line of Credit		-	-	-	7.00	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	Non-fund-based - LT/ ST-Letter of credit	LT/ST	47.00	CARE BB-; Stable / CARE A4	1)CARE BB; Stable / CARE A4 (08-Apr-25)	1)CARE BB; Stable / CARE A4 (01-Jul-24)	1)CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (20-Mar-24)	1)CARE BB; Stable / CARE A4 (27-Mar-23)
2	Non-fund-based - ST-Credit Exposure Limit	ST	1.08	CARE A4	1)CARE A4 (08-Apr-25)	1)CARE A4 (01-Jul-24)	1)CARE A4; ISSUER NOT COOPERATING* (20-Mar-24)	1)CARE A4 (27-Mar-23)
3	Non-fund-based - ST-Standby Line of Credit	ST	7.00	CARE A4	1)CARE A4 (08-Apr-25)	1)CARE A4 (01-Jul-24)	1)CARE A4; ISSUER NOT COOPERATING* (20-Mar-24)	1)CARE A4 (27-Mar-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	Non-fund-based - LT/ ST-Letter of credit	Simple
2	Non-fund-based - ST-Credit Exposure Limit	Simple
3	Non-fund-based - ST-Standby Line of Credit	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 for clarifications.

Contact us

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