

## VMS Industries Limited

June 08, 2026

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	202.00	CARE BB+; Stable / CARE A4+	Downgraded from CARE BBB-; Stable / CARE A3
Short Term Bank Facilities	5.50	CARE A4+	Downgraded from CARE A3

Details of instruments/facilities in Annexure-1.

The list of facilities / instruments falling under the purview of various financial sector regulators (FSRs), along with the names of respective FSRs has been disclosed under Annexure-6.

### Rationale and key rating drivers

The downgrade in the ratings assigned to the bank facilities of VMS Industries Limited (VIL) considers its subdued operational performance in FY26 (Audited, FY refers to the period from April 01 to March 31) as marked by decline in scale of operations and profitability with non-availability of ships for recycling. Further, the ratings continue to remain constrained due to VIL's moderate debt coverage indicators, exposure of advances to other ship recycling entities along with 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. Further, CARE Ratings Limited (CareEdge Ratings) will closely monitor progress regarding adjudication order passed by Joint commissioner, CGST in March 2026 for Rs.19.88 crores towards demand and penalty. Ratings, however, continue to derive strength from experienced promoters with long track record of operations in the ship recycling industry and entity's presence at strategic location in Alang-Sosiya region - one of the largest ship-recycling yards in India.

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

#### Positive factors

- Growth in scale of operations due to revamp of ship recycling industry along with improvement in Profit before interest, lease, depreciation and tax (PBILDT) margin over 3% on a sustained basis.
- Sustenance of Letter of Credit (LC) coverage ratio above 1.30x.

#### Negative factors

- Deterioration in LC coverage below 1.10x.
- Non availability of ships for extended period impacting the scale of operations or continued subdued profitability.

**Analytical approach:** Standalone

#### Outlook: Stable

The outlook on the long-term rating of VIL is "Stable" considering experienced promoters in the industry and its location advantage with presence in the Alang-Sosiya region.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Decline in scale of operations and profitability

Over the years, VIL's turnover and profitability have remained volatile due to dependence on availability of ships for recycling and fluctuations in steel scrap prices. The scale of operations as marked by total operating income (TOI) declined to Rs. 157.43 crore in FY26 from Rs.288.56 crore in FY25 owing to non-availability of ships for recycling. With decline in TOI, Profit after tax (PAT) margins also declined and remained at 0.93% in FY26 against 2.36% in FY25. Going forward, scale of operations and profitability depends on availability of ships for recycling, type of ship and trading activity undertaken.

<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.

**Moderate debt coverage indicators and exposure of advances to other ship recycling entities**

Debt coverage indicators continue to remain moderate as marked by TDGCA of 25.97x in FY26 against 6.87x in FY25 owing to lower GCA. VIL's capital structure, as marked by an overall gearing, remained stable at 0.60x as on March 31, 2026, against 0.54x as on March 31, 2025. Further, VIL has extended ₹55.68 crore as on March 31, 2026, to other ship recycling entities. Adjusted overall gearing as a result remained at 1.43x as on March 31, 2026, against 0.95x as on March 31, 2025.

**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 in last 2-3 years. Going further, with decline in freight rates, better ship availability is expected. 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.

**Key strengths****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 have incorporated 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).

**Liquidity: Adequate**

VIL's liquidity remained adequate characterised by moderate utilisation of working capital limits and adequate LC coverage ratio. Average utilisation of fund-based working capital limits remained at ~50% for the past 12 months ended May 2026. LC coverage ratio continues to remain adequate at 1.73x as on March 31, 2026 (2.53x as on March 31, 2025) for trading and ship recycling indicating sufficient cushion in inventory and fixed deposits against its LC obligations. Cash and Bank balance remained moderate at ₹0.22 crore as on March 31, 2026. Operating cycle elongated and remained at 88 days in FY26 against 5 days in FY25, mainly due to increase in collection period. Current ratio remained at 2.19x as on March 31, 2026 (2.17x as on March 31, 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

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, 2025 (A)	March 31, 2026 (A)
Total operating income	288.56	157.43
PBILDT*	7.91	-0.31
Profit after tax (PAT)	6.80	1.46
Overall gearing (x)	0.54	0.60
Interest coverage (x)	2.73	-0.08

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

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

**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 BB+; Stable / CARE A4+
Non-fund-based - ST-Credit Exposure Limit		-	-	-	5.50	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 2026-2027	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
1	LT/ST Fund-based/Non-fund-based-CC/WCDL/OD/LC/BG	LT/ST	202.00	CARE BB+; Stable / CARE A4+	-	1)CARE BBB-; Stable / CARE A3 (22-Aug-25)	1)CARE BBB-; Stable / CARE A3 (09-Jan-25)	1)CARE BBB-; Stable / CARE A3 (26-Dec-23)
2	Non-fund-based - ST-Credit Exposure Limit	ST	5.50	CARE A4+	-	1)CARE A3 (22-Aug-25)	1)CARE A3 (09-Jan-25)	1)CARE A3 (26-Dec-23)

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](#)

**Annexure-6: List of Facilities/Instruments and FSRs**

As required by SEBI Circular dated February 10, 2026 to Credit Rating Agencies (CRAs), the list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is being disclosed below:

Sr. No.	Facilities/Instruments Name	Regulator of the Instruments <sup>2</sup>
1.	Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities)	SEBI
2.	Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities)	MCA
3.	Listed PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	SEBI
4.	Listed PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	SEBI
5.	Unlisted PTCs / Securitisation Notes (Originated by Entities Regulated by RBI) *	RBI
6.	Listed Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
7.	Unlisted Commercial Paper and NCDs with Original Maturity Less Than 1 Year	RBI
8.	Loan Facilities (Fund / Non-Fund Based) From Banks / NBFCs / NHB / FIs ^	RBI
9.	External Commercial Borrowings and Other Similar Borrowings	RBI
10.	Certificates of Deposit	RBI
11.	Fixed Deposits Raised by Banks, NBFCs, HFCs, FIs	RBI

<sup>2</sup>SEBI: Securities and Exchange Board of India; RBI: Reserve Bank of India; MCA: Ministry of Corporate Affairs; IRDAI: Insurance Regulatory and Development Authority of India; PFRDA: Pension Fund Regulatory and Development Authority

Sr. No.	Facilities/Instruments Name	Regulator of the Instruments <sup>2</sup>
12.	Fixed Deposits Raised by Corporates Other Than Banks, NBFCs, HFCs, FIs	MCA
13.	Inter Corporate Deposits / Loans Extended by Corporates	MCA
14.	Borrowing Programme ~	-
15.	Issuer Ratings #	-
16.	Credit Ratings for Capital Protection Oriented Schemes (By Mutual Funds and AIFs)	SEBI
17.	Credit Quality Ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18.	Listed Security Receipts	SEBI
19.	Unlisted Security Receipts	RBI
20.	Independent Credit Evaluation (ICE)	RBI
21.	Expected Loss Ratings (For Loan Facilities (Fund / Non-Fund Based) from Banks / NBFCs / NHB / FIs)	RBI
22.	Expected Loss Ratings (Listed / Proposed to be Listed Bonds / Debentures / Preference Shares (All Securities))	SEBI
23.	Expected Loss Ratings (Unlisted / Proposed to be Unlisted Bonds / Debentures / Preference Shares (All Securities))	MCA
24.	Unlisted PTCs / Securitisation Notes (Originated by Entities Not Regulated by RBI) *	Investor-side regulator such as IRDAI, PFRDA @

\* Includes securitisation transactions involving assignee payout, acquirer's payout.

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In the press releases subsequent to issuance(s), CareEdge Ratings shall separately capture the rated quantum details along with names of respective regulators.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

# There is no instrument being rated and hence, Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

@ These ratings were assigned during regulatory regime prior to introduction of SEBI CRA Circular dated February 10, 2026 and the investor side regulators have accordingly been included.

Note: For facilities / instruments falling under the purview of FSRs other than SEBI, the grievance / dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

**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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