Aditya Marine Limited

February 24, 2017

Ratings

Facilities	Amount (Rs. crore)	Ratings[1]	Rating Action
Long-term Bank Facilities	30.80 (reduced from Rs.34.79)	**CARE BB; Stable (Double B; Outlook: Stable)**	Reaffirmed
Long-term/Short-term Bank Facilities	5.00	**CARE BB; Stable / CARE A4 (Double B; Outlook: Stable / A Four)**	Reaffirmed
Short-term Bank Facilities	0.40 (reduced from Rs.0.54)	**CARE A4 (A Four)**	Reaffirmed
Total Facilities	**36.20 (Rupees Thirty-six crore and Twenty lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Aditya Marine Limited (AML) continue to be constrained by the modest scale of operations along with concentrated customer base in a highly fragmented and working capital intensive shipping service industry where the fortunes of players are highly susceptible to economic cycles and trade policies of the government. The ratings, however, continue to derive strength from the promoters' vast experience in the shipping and logistics business, its diversified revenue-mix supported by the efficient cargo handling capability and its moderate leverage and debt-coverage indicators. CARE also takes note of the satisfactory progress of its commercial real estate project. The ability of AML to increase its scale of operations along with improvement in profitability, efficient management of working capital and realization of the envisaged benefits from the commercial real estate project would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest scale of operations

Over past three years ended FY16 (refers to period April 1 to March 31), the total operating income of AML remained volatile mainly on account of change in revenue share from opportunity based trading activities. The total operating income declined by nearly 18% during FY16 and stood modest at nearly Rs.91 crore. The decline was largely on account of reduced share of revenue from trading activities at 19% for FY16 against 25% during FY15.

Moderate profitability, leverage and debt-coverage indicators

The profitability of AML improved marginally by 84 bps during FY16 and stood moderate at 16.19% mainly on account of increased share of revenue from core shipping services. Gross cash accruals stood stable at Rs.10.35 crore for FY16 leading to nearly stable debt coverage indicators like interest coverage and total debt to GCA at 3.38 times and 4.49 years respectively for FY16.

The leverage, although deteriorated marginally during FY16 mainly on account of increase in debt level to fund the solar power plant capex, continued to remain moderate at 1.11 times as on March 31, 2016.

Working capital intensive operations

AML's operations are working-capital-intensive as it has to carry out shipping-related activities on behalf of the client for import-export of goods and has to pay charges including oceanic freight, stevedoring, demurrage, material handling, import-export related duties, etc. However, reimbursement is received with a lag which results in an average collection period of more than three months. On account of large receivables and high level of advances receivable in cash or kind, the working capital intensity has remained high, resulting into moderately high average fund-based working capital in past 12-months ended October 2016.

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Highly fragmented industry with the presence of a large number of unorganized players

The performance of the port/shipping service sector is linked to cargo traffic, which in turn, is dependent on the health of the economy and trade imbalance. The sector is susceptible to downturn in the economy as well as local government policies regulating trade. The freight forwarding industry is highly fragmented and is dominated by a large segment of unorganized players, which limit the bargaining power of the company.

Key Rating Strengths

Efficient cargo handling capability with diversified revenue stream

Over the past five years ended FY16, AML handled a cargo volume of approximately 18 million tonnes and has exhibited efficient cargo handling capabilities. Further, during FY16, AML handled cargo volume of 4.29 million tonnes which was increased by 22% over FY15 mainly due to healthy growth in coal and salt cargo volume. During FY16, the cargo handled was dominated by coal (32%) followed by steel (28%), fertilizers (23%) and commodities (16%).

Apart from this, AML trades in various commodities on opportunity basis and is engaged in renewable power generation. During FY16, the income from shipping services, income from power generation and trading activity contributed nearly 74% (70% during FY15), 5% (4%) and 19% (25%) respectively of its total operating income.

Long standing relationship with established albeit concentrated clientele

AML's clientele includes established players in the fertilizer, coal, steel and commodity segment with whom AML has been dealing since more than five years and getting repeat business. However, it may be noted that AML's list of clientele is concentrated with top five customers contributing nearly 63% of total operating income and 85% of revenue from shipping services during FY16.

Satisfactory progress of its commercial real estate project with long-term lease tie-ups

AML has undertaken capex for construction of a commercial building having space of around 125,000 square feet (sf) intended to be leased out. The progress remained satisfactory over past one year as AML has tied-up for lease-out of commercial space of around 88,000 sf to three lessees for a period of 15 years which would enable the company to earn monthly aggregate lease rental income of nearly Rs.15 lakh over the period. AML has earned lease rental revenue of nearly Rs.0.21 crore during 9MFY17 against Rs.0.10 crore during FY16.

Analytical approach: Standalone

Applicable Criteria:

Rating Methodology - Service Sector Companies
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector

About the Company

Gandhidham-based AML, incorporated in August 2004, is promoted by Mr Harshad Gandhi. AML provides ocean freight forwarding, customs clearance, stevedoring, cargo handling, contract logistics and other supply chain management services mainly in the Gujarat region from Kandla and Mundra ports. AML also trades in various commodities and is engaged in renewable power generation. As on March 31, 2016, AML had eight windmills spanning across Gujarat (Windmills: 3), Rajasthan (2), Tamilnadu (2) and Kerala (1) with an aggregate power generation capacity of 9.35 Mega-Watt (MW) and a 2.23 MW solar power plant in Madhya Pradesh.

As per the audited result for FY16, AML reported a PAT of Rs.1.10 crore on a total operating income of Rs.91.48 crore as against a PAT of Rs.2.48 crore on a total operating income of Rs.111.66 crore in FY15. Further, as per the un-audited result for 9MFY17, AML reported total operating income of nearly Rs.47 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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Annexure-1

Details of Facilities:-

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	May 2021	15.30	CARE BB; Stable
Fund-based - LT-EPC/PSC	-	-	-	5.00	CARE BB; Stable
Fund-based - LT-Cash Credit	-	-	-	7.50	CARE BB; Stable
Non-fund-based - LT/ ST-Letter of credit	-	-	-	3.00	CARE BB; Stable / CARE A4
Non-fund-based - LT/ ST-Bank Guarantees	-	-	-	2.00	CARE BB; Stable / CARE A4
Fund-based - LT-FBN / FBP	-	-	-	3.00	CARE BB; Stable
Non-fund-based - ST-Credit Exposure Limit	-	-	-	0.40	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 (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Term Loan	LT	15.30	CARE BB; Stable	-	1)CARE BB (03-Feb-16)	1)CARE BB (25-Jun-14)	1)CARE BB (22-May-13)
2.	Fund-based - LT-EPC/PSC	LT	5.00	CARE BB; Stable	-	1)CARE BB (03-Feb-16)	1)CARE BB (25-Jun-14)	1)CARE BB (22-May-13)
3.	Fund-based - LT-Cash Credit	LT	7.50	CARE BB; Stable	-	1)CARE BB (03-Feb-16)	1)CARE BB (25-Jun-14)	1)CARE BB (22-May-13)
4.	Non-fund-based - LT/ ST-Letter of credit	LT/ST	3.00	CARE BB; Stable / CARE A4	-	1)CARE BB / CARE A4 (03-Feb-16)	1)CARE BB / CARE A4 (25-Jun-14)	1)CARE BB / CARE A4 (22-May-13)
5.	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	2.00	CARE BB; Stable / CARE A4	-	1)CARE BB / CARE A4 (03-Feb-16)	1)CARE BB / CARE A4 (25-Jun-14)	1)CARE BB / CARE A4 (22-May-13)
6.	Fund-based - LT-FBN / FBP	LT	3.00	CARE BB; Stable	-	1)CARE BB (03-Feb-16)	1)CARE BB (25-Jun-14)	1)CARE BB (22-May-13)
7.	Non-fund-based - ST-Credit Exposure Limit	ST	0.40	CARE A4	-	1)CARE A4 (03-Feb-16)	1)CARE A4 (25-Jun-14)	-

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