

Aditya Marine Limited

March 28, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long-Term Bank Facilities	34.92 (enhanced from 30.80)	CARE BB-; Stable (Double B Minus; Outlook: Stable)	Revised from CARE BB; Stable (Double B; Outlook: Stable)
Short-Term Bank Facilities	0.50 (enhanced from 0.40)	CARE A4 (A Four)	Reaffirmed
Total facilities	35.42 (Rupees Thirty Five crore and Forty Two lakh only)		

Details of instruments/facilities in Annexure -1

Detailed Rationale & Key Rating Drivers

The revision in the long term rating assigned to the bank facilities of Aditya Marine Limited (ACPL) is on account of decline in scale of operations coupled with net losses made by the company during FY17 (refers to the period April 1 to March 31). The ratings further continue to remain constrained on account of working capital intensive operations and its presence in highly fragmented industry with large number of unorganized players.

However, the ratings continue to derive strength from vast experience of promoters in the same line of business along with moderately comfortable capital structure and moderate debt coverage indicators.

The ability of AML to increase its scale of operations along with improvement in profitability, efficient management of its working capital would be the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Decline in scale of operations along with net losses during FY17

The scale of operations of the company decreased by 26.22% and stood at Rs.67.49 crore during FY17 as against Rs.91.48 crore during FY16. Further, during FY17 the PBILDT margin of the company remained comfortable at 19.32% during FY17 as against 16.19% during FY16. However, AML has reported net loss as against 1.21% of net profit during FY16 mainly on account of increased interest cost coupled with higher depreciation cost of the company.

Working capital intensive operations

The liquidity position of the company continued to remain moderate marked by current ratio and quick ratio of 1.30 times and 1.28 times respectively as on March 31, 2017 as against 1.25 times and 1.22 times respectively as on March 31, 2016 on account of increase in current assets. Further, operating cycle of the company elongated and remained moderate at 67 days during FY17 as against 46 days during FY16 due to increase in collection days and inventory days of the company.

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

Vast experience of promoters in shipping-related logistics business

The operations of AML are being managed by Mr Harshad Gandhi, Managing Director, who has an industry experience of more than three decades in shipping-related services and transportation business. The promoters of AML have also promoted other group concern, namely, Balaji Heavy Lifters Pvt Ltd (BHLPL) which provides transportation services.

Moderately comfortable capital structure & moderate debt coverage indicators

As on March 31, 2017, the capital structure of the company remained moderately comfortable marked by debt equity ratio and overall gearing stood at 0.89 times and 1.08 times respectively as on March 31, 2017 as against 0.85 times and 1.11 times respectively as on March 31, 2016 on account of decrease in total debt coupled with higher tangible net worth base as on March 31, 2017. The debt coverage indicators of the company remained moderate marked by total debt to GCA of 5.54 years as on March 31, 2017 as against 4.49 years as on March 31, 2016 on account of decrease in GCA of the company. Interest coverage remained moderate at 2.35 times for FY17 as against 3.38 times for FY16 on account of higher interest cost along with lower PBILDT during FY17.

Analytical Approach: Standalone

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's Rating Methodology for Service Sector Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

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. 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.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	91.48	67.49
PBILDT	14.81	13.04
PAT	1.10	-0.18
Overall gearing (times)	1.11	1.08
Interest coverage (times)	3.38	2.35

A: Audited

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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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over nearly two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure 1: Details of Instruments/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	-	-	September, 2024	22.42	CARE BB-; Stable
Fund-based - LT-EPC/PSC	-	-	-	5.00	CARE BB-; Stable
Fund-based - LT-Bank Overdraft	-	-	-	4.50	CARE BB-; Stable
Non-fund-based - LT/ ST-Letter of credit	-	-	-	-	Withdrawn
Non-fund-based - ST-Bank Guarantees	-	-	-	0.50	CARE A4
Fund-based - LT-FBN / FBP	-	-	-	3.00	CARE BB-; Stable
Non-fund-based - ST-Credit Exposure Limit	-	-	-	-	Withdrawn

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	22.42	CARE BB-; Stable	-	1)CARE BB; Stable (24-Feb-17)	1)CARE BB (03-Feb-16)	1)CARE BB (25-Jun-14)
2.	Fund-based - LT-EPC/PSC	LT	5.00	CARE BB-; Stable	-	1)CARE BB; Stable (24-Feb-17)	1)CARE BB (03-Feb-16)	1)CARE BB (25-Jun-14)
3.	Fund-based - LT-Bank Overdraft	LT	4.50	CARE BB-; Stable	-	1)CARE BB; Stable (24-Feb-17)	1)CARE BB (03-Feb-16)	1)CARE BB (25-Jun-14)
4.	Non-fund-based - LT/ ST-Letter of credit	LT/ST	-	-	-	1)CARE BB; Stable / CARE A4 (24-Feb-17)	1)CARE BB / CARE A4 (03-Feb-16)	1)CARE BB / CARE A4 (25-Jun-14)
5.	Non-fund-based - ST-Bank Guarantees	ST	0.50	CARE A4	-	1)CARE BB; Stable / CARE A4 (24-Feb-17)	1)CARE BB / CARE A4 (03-Feb-16)	1)CARE BB / CARE A4 (25-Jun-14)
6.	Fund-based - LT-FBN / FBP	LT	3.00	CARE BB-; Stable	-	1)CARE BB; Stable (24-Feb-17)	1)CARE BB (03-Feb-16)	1)CARE BB (25-Jun-14)
7.	Non-fund-based - ST-Credit Exposure Limit	ST	-	-	-	1)CARE A4 (24-Feb-17)	1)CARE A4 (03-Feb-16)	1)CARE A4 (25-Jun-14)

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