

## Glory Shipmanagement Private Limited

September 25, 2020

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	15.00	<b>CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable; ISSUER NOT COOPERATING*)</b>	<b>Issuer not cooperating; Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable) on the basis of best available information</b>
<b>Total Facilities</b>	<b>15.00 (Rs. Fifteen Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Glory Shipmanagement Private Limited (GSPL) to monitor the rating(s) vide e-mail communications/letters dated June 05, 2020, June 9, 2020, June 15, 2020, June 29, 2020, July 07, 2020, July 14, 2020, August 26, 2020, September 17, 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on GSPL's bank facilities will now be denoted as **CARE BB; Stable; ISSUER NOT COOPERATING\***.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.***

The ratings revised on account of non-cooperation by GSPL and CARE's efforts to undertake a review of the ratings outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

### Detailed description of the key rating drivers

*At the time of last rating on September 10, 2019, the following were the rating strengths and weaknesses (Updated for the information available from Registrar of Companies):*

#### Key Rating Weaknesses

***Moderate and fluctuating scale of operations:*** The total operating income (TOI) of the company has remained fluctuating in the range of Rs.17.12 crore to Rs.31.31 crore during FY17-FY19. Further, TOI has significantly increased to Rs.31.31 crore in FY19 from Rs.17.12 crore in FY18 owing to addition in vessels deployed during the year which in turn resulted in the increase of contracts received from its customers. However, the scale of operations remained modest with moderate tangible network which limits the financial flexibility of the company to an extent to meet any exigency.

***Working capital intensive nature of operations:*** The operations of the company remained working capital intensive on account of high level of funds blocked in debtors. However, the majority of its working capital requirements primarily met through internal accruals and working capital borrowings and hence, utilization of working capital limits stood moderate.

***Presence in competitive, seasonal & cyclical industry with direct linkages to prevailing prospects in oil & gas industry:*** GSPL operates in the shipping industry which is fragmented with large number of small players resulting into intense competition. Further, the industry is also seasonal & cyclical in nature with direct linkages to prevailing prospects in oil & gas industry. The volatility of oil prices affects the charter rates of offshore vessels. The company's profitability and ability to repay debt is affected by the charter rates at which it can redeploy its vessels. Unlike shipping companies, which derive their freight rates from various Baltic indexes, offshore support vessel companies provide their vessels after the tendering and bidding process. The company is exposed to seasonality in the shipping industry, since the offshore personnel transportation is muted during the monsoons. Moreover, the oil & gas exploration activities are also prone to cyclicality, thereby having an adverse bearing on the dealings of the company.

***Risk of non-renewal of contract or vessels not being deployed for a longer period:*** Led by customer concentration, GSPL is also exposed to risk of non-renewal of multi-year contracts upon the conclusion of their tenure, coupled with risk of non-

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

\*Issuer did not cooperate; Based on best available information

deployment of owned fleet for a longer period. Moreover, the bidding process also invites competition from other small & large players, thereby exposing the company to the aforementioned risks.

#### Key Rating Strengths

**Long track record of operations with experienced directors:** GSPL possesses long track record of over 15 years of operations in shipping industry. The overall operations of GSPL are looked after by Mr. Rajesh Kumar Shahi along with his wife Mrs. Shilpi Shahi. Mr. Rajesh Kumar Shahi has vast experience of 25 years in this industry through his association with company and also worked for Samta Shipmanagement PTE Ltd, Singapore as Technical Supervisor.

**Established relationship with reputed customers & Long-term marketing arrangements in place marked by multi-year contracts:** Over the years of operations, GSPL has established long-term relationships with reputed customers which primary include Oil and Natural Gas Corporation Limited, L&T Hydrocarbon Engineering Limited, National Projects Construction Corporation Limited, Angre Port Private Limited etc. GSPL has entered into multi-year contracts with various customers. However, the customer profile remained concentrated with top 5 customers contributing 76% of TOI for FY19.

**Healthy albeit fluctuating profit margins:** The PBILDT margin of GSPL stood healthy in the range of 34.55% to 41.75% during FY16-FY19. The same has improved in FY19 over FY18 owing to increase in realization from customers owing to high value tenders received during the year along with significant increase in the scale of operations which has also resulted in proportionate decrease in the fixed costs. PAT margin also improved significantly and the same stood healthy at 19.00% in FY20 (vis-à-vis 11.05% in FY18).

**Moderately comfortable capital structure and comfortable debt coverage indicators:** The capital structure of the company stood moderately comfortable with overall gearing stood at 1.28x as on March 31, 2019 (vis-à-vis 1.29x as on March 31, 2018). The same has improved on account significant increase in tangible networth base on the back of healthy accretion of profits in the business. Further, due to moderate reliance on debt with healthy cash accruals, the debt coverage indicators stood comfortable.

#### Liquidity Analysis:

The liquidity position is marked by moderately comfortable current ratio and quick ratio at 1.30 times and 1.21 times respectively as on March 31, 2019 (1.36 times and 1.22 times respectively as on March 31, 2018). Further, cash flow from operating activities stood positive at Rs.10.88 crore as on March 31, 2019. The average fund based working capital limits remained moderate at 42.65% during past twelve months ended May, 2019. Moreover, free cash and bank balance stood at Rs.4.96 crore as on March 31, 2019 (vis-à-vis Rs.1.16 crore as on March 31, 2018).

**Analytical approach:** Standalone

#### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

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

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

[Rating Methodology - Service Sector Companies](#)

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

#### About the Company

Incorporated in 2004 by Mr. Rajesh Kumar Shahi with his wife Mrs. Shilpi Rajesh Shahi, Glory Shipmanagement Private Limited (GSPL) is engaged in providing marine support services to offshore exploration & production, marine construction and port / terminal activities. The service activities primarily include vessel management, manning, chartering operating, barging, and transporting project cargoes etc. The company owns a fleet of 12 vessels which includes Towing Tugs, Anchor Handling Tugs, Offshore Supply Vessels and Platform Support Vessel as on June 13, 2019, which are deployed in multi-year contracts with the customers. The customer profile primarily includes oil and gas companies, construction companies and ports etc. GSPL also owns floating drydock with capacity of one vessel at Belapur Creek, Navi Mumbai. The company is operating through its registered office in Masjid, Mumbai.

Brief Financials (Rs. crore)	FY18(A)	FY19 (A)
Total operating income	17.12	31.31
PBILDT	5.92	13.01
PAT	1.89	5.95
Overall gearing (times)	1.29	1.28
Interest coverage (times)	5.88	5.60

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: Not applicable

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

**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-Cash Credit	-	-	-	6.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	6.75	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Bank Guarantee	-	-	-	2.25	CARE BB; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

**Annexure-2: Rating History of 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	6.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (26-Jun-19)	-	-
2.	Fund-based - LT-Term Loan	LT	6.75	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (26-Jun-19)	-	-
3.	Fund-based - LT-Bank Guarantee	LT	2.25	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (26-Jun-19)	-	-

\*Issuer did not cooperate; Based on best available information

**Annexure 3: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Bank Guarantee	Simple
2.	Fund-based - LT-Cash Credit	Simple
3.	Fund-based - LT-Term Loan	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over 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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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**