

SEPTEMBER 09, 2016

CARE ASSIGNS 'CARE BBB-' RATING TO THE BANK FACILITIES OF INTEROCEAN SHIPPING COMPANY

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities	27	CARE BBB- (Triple B Minus)	Assigned
Total Facilities	27 (Rupees Twenty Seven crore only)		

Rating Rationale

The rating assigned to the bank facility of Interocean Shipping Company (ISC) derives strength from the proprietor's experience and long track record of operations, reputed customer base, healthy cash accruals, comfortable capital structure and debt coverage indicators and long-term off-take arrangement for windmill.

The rating, however, is constrained by the constitution of the entity as a proprietorship firm, declining scale of operation, elongated collection period and below average operating performance of windmills coupled with credit risk associated with timely realization from state power utilities. Further, the rating is constrained by cyclical nature of the shipping industry and subdued industry scenario, dependence on climate conditions and wind patterns for power generation and its presence in competitive industry.

Ability of ISC to increase its scale of operations while improving profitability and capital structure and achieve the envisaged operational parameters along with efficient debtor management are the key rating sensitivities.

Background

ISC is a proprietorship firm, established in 1961 by Capt. K.C. Saigal and is currently being managed by Mr. Arjun Saigal. The firm primarily deals in ship broking, non-destructive testing (NDT), wind electricity generation and CMG (Cargo Management Group) services. ISC's client base mainly Public Sector Undertakings and Private Companies based in India. The firm also owns seven wind energy power plants spread across Maharashtra and Gujarat. As of March 31, 2016, the total installed capacity of wind power is 12.40 Megawatt (MW).

Besides ISC, the group consists of Interocean Shipping (India) Private Limited (rated 'CARE BBB'), Interocean Projects Private Limited, Interocean Insurance Surveyors & Loss Accessors Private Limited, Interocean Navigation Limited, Continental Ocean Ventures Pvt. Ltd., Ganpati Marine Enterprises Pvt. Ltd., Scent Trans Pvt. Ltd. and Jubilee Sea trade Pvt. Ltd.

During FY16 (refers to the period April 1 to March 31; based on provisional results), the total operating income of ISC stood at Rs. 38.81crore (compared to Rs. 39.36crore in FY15), while firm incurred net loss of Rs.7.43 crore in FY16 (compared to net profit of Rs. 15.40 crore in FY15).

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

Analyst Contact

Name: Mr Achin Nirwani

Tel: 011-45333228

Email: achin.nirwani@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

CONTACT**Head Office Mumbai****Mr. Saikat Roy**

Mobile: + 919820998779

E-mail: saikat.roy@careratings.com

Mr. AmodKhanorkar

Mobile: + 91 9819084000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD**Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

BENGALURU**Mr. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**2nd Floor, S.C.O. 196-197, Sector 34-A,
Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

CHENNAI**Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

COIMBATORE**Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

HYDERABAD**Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**304, PashupatiAkshatHeights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 - 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

NEW DELHI**Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

PUNE**Mr. Pratim Banerjee**9th Floor, Pride KumarSenate,
Plot No. 970, Bhamburda, SenapatiBapat Road,
ShivajiNagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

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