

Seamec Limited

February 07, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating *	Rating Action
Long/Short Term Bank Facilities	25.00	CARE A-; Negative / CARE A2+ (Single A Minus/A Two Plus)	Revised from CARE A / CARE A1 (Single A/A One)
Short Term Bank Facilities	26.00	CARE A2+ (A Two Plus)	Revised from CARE A1 (A One)
Total facilities	51.00 (Rs. Fifty-One Crore Only)		

Details of facilities/instruments in Annexure-1

Detailed Rationale

The revision in ratings takes into consideration the moderation in the business risk profile and liquidity position of the company during FY16 and H1FY17. Revenue and cash accruals have declined on account of moderation in charter rates & asset utilization due to lower crude prices which has affected the offshore shipping industry. The ratings revision also factors in the increase in collection period, largely led by pending realization of receivables from one of its customer which has filed for liquidation.

The rating continues to derive strength from its established position in the offshore servicing industry, long-standing business relationship with clients, healthy net worth and comfortable debt service coverage indicators. These rating strengths are partially tempered by the concentration of revenues from offshore services, high average age of fleet and redeployment risk at competitive rates.

Any large sized debt funded vessel acquisition having significant implications on the capital structure and any further repatriation of cash by the holding company affecting its liquidity profile would remain the rating monitorable.

Outlook: Negative

CARE believes that Seamec Limited's financial profile is likely to deteriorate in the medium term on account of decline in charter hire rates, lower deployment of its vessels and the delay in timely recovery of its outstanding receivables. The outlook will be revised to stable if the company is able to recover significant portion of its outstanding receivables and able to improve its performance.

Detailed description of the key rating drivers

Since 1986, Seamec has been in the business on owning and chartering offshore vessels. The company currently owns and manages 5 vessels which are used to provide diving support and manned and un-manned subsea operations and related activities. During 2014, HAL Offshore Limited (part of the Delhi-based MM Agarwal Group) acquired a substantial stake in Seamec Limited. The company has established relationship with leading clients from the offshore oil & gas industry.

Although deteriorated, the financial risk profile is comfortable with low gearing at 0.07x as on March 31st 2016 and comfortable coverage indicators. The company has no working capital requirements and has cash and liquid investments of Rs. 121.86 crore as on September 30, 2016 providing adequate liquidity.

Going ahead, CARE believes that Seamec Limited's financial profile is likely to deteriorate in the medium term on account of decline in profitability due to decline in charter hire rates, lower deployment of its vessels and the delay in timely recovery of its outstanding receivables.

Analytical approach: Standalone

Applicable Criteria:

Criteria on assigning Outlook to Credit Ratings

CARE's policy on Default Recognition

Rating methodology – Services Companies

Financial Ratios-Non Financial Sector

Criteria for Short Term Instruments

About the Company

Incorporated in December 1986, Seamec Limited (erstwhile South East Asia Marine Engineering & Construction Limited) owns and manages offshore support vessels. The services provided by Seamec includes diving support, marine & vessel management, firefighting, sub-sea construction pipe-laying, rescue operations, logistics, mooring and de-mooring, carnage etc. The company was initially promoted by Peerless Finance, but after a series of change in 2001 Seamec became a subsidiary of Technip, France (one of the largest oilfield engineering, construction and service group in Europe). Subsequently HAL (part of the Delhi-based MM Agarwal group) Offshore acquired a 51% stake in the company in April 2014 and increased its shareholding to 75% in September 2014. HAL Offshore is into the same line of business and also provides integrated offshore services to the oil and gas industry.

The company currently owns and manages 5 vessels which are used to provide diving support and manned and un-manned subsea operations and related activities. Of the 5 vessels 4 vessels are Multi-Support Vessels (MSV), while the 5th vessel is a Utility Vessel. SEAMEC has also set up a wholly owned subsidiary in Dubai during March 2010. The subsidiary also owned and operated a single vessel, which however was sold in October 2014.

During FY16 (refers to the period April 1 to March 31), Seamec reported a PAT of Rs. 3.86 crore (PY: Rs. 54.02 crore) on a total operating income of Rs. 348.59 crore (PY: Rs. 374.91 crore). During H1FY17 the company had reported loss of Rs. 31.39 crore on total income of Rs. 70.85 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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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/ ST-Working Capital Limits	-	-	-	25.00	CARE A-; Negative / CARE A2+
Fund Based/Non Fund Based-Short Term	-	-	-	21.00	CARE A2+
Non-Fund Based - ST-Forward Contract	-	-	-	5.00	CARE A2+

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 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/ ST-Working Capital Limits	LT/ST	25.00	CARE A-; Negative / CARE A2+	-	1)CARE A / CARE A1 (03-Dec-15) 2)CARE A (27-Oct-15)	-	-
2.	Fund Based/Non Fund Based-Short Term	ST	21.00	CARE A2+	-	1)CARE A1 (03-Dec-15) 2)CARE A1 (27-Oct-15)	-	-
3.	Non-Fund Based - ST-Forward Contract	ST	5.00	CARE A2+	-	1)CARE A1 (03-Dec-15)	-	-

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