

Seamec Limited (Revised)

May 26, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term/Short term Bank Facilities	-	-	Reaffirmed at CARE BBB+; Stable/CARE A2 (Triple B Plus; Outlook: Stable/ A Two) and Withdrawn
Short-term Bank Facilities	-	-	Reaffirmed at CARE A2 (A Two) and Withdrawn
Total Facilities	-		

Details of facilities in Annexure-1
Detailed Rationale and Key Rating Drivers

CARE has reviewed the outstanding ratings of 'CARE BBB+; Stable/CARE A2' [Triple B Plus; Outlook: Stable/ A Two] assigned to the bank facilities of Seamec Limited and has simultaneously withdrawn it, with immediate effect. The above action has been taken at the request of Seamec Limited and 'No Objection Certificate' received from the bank that have extended the facilities rated by CARE

The reaffirmation in ratings assigned to the bank facilities of Seamec Ltd (Seamec) continues to derive strength from established position of Seamec in offshore allied services, long-standing business relationship with clients, comfortable capital structure and debt service coverage indicators. These rating strengths are partially tempered by concentration of revenues from offshore services, volatility in revenue streams and profitability, 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 repatriation of cash by the holding company affecting its liquidity profile would remain the rating monitorable.

Detailed description of the key rating drivers
Key Rating Strengths
Experienced Promoters

The company is backed by HAL offshore limited which has two decades of operational expertise in the Oil & gas industry. Majority of the senior management has prior experience in the same industry and is supported by an eight member Board consisting of four independent directors.

Established relationship with clients and strong market position

Seamec has been providing specialized services to the offshore oil & gas industry in India and abroad. Over the years, the company has built upon a strong market position through its deliverables and superior service record of accomplishment. The company mostly offers its services to reputed clients in the oil & gas industry and has been serving most of these clients over a long-term period. The company's past track record provides visibility on its quality of service, which has helped the company in garnering repeat orders from them over the years.

Comfortable capital structure and liquidity position

During FY16-18, On account of provisions made for bad/doubtful debts primarily from Swiber group, the networth of the company had eroded however has improved in FY19 and 9MFY20 mainly due to strong financial performance exhibited by the company. Further, the capital structure of the company is comfortable with negligible debt in past and current year. Overall gearing therefore stood comfortable at 0.01x as on March 31, 2019. The subsidiary, Seamec International FZE, has purchased a new bulk carrier in July 2018 funded by loan of USD 7.2 million, for which parent Seamec Limited has furnished corporate guarantee, and further purchased an additional vessel during August 2019 wherein both vessels have been deployed on long term charter basis.

Improvement in financial and operational performance over past 3 years

Over the past few years, financial performance of Seamec has been on improving trend mainly led by higher charter rates and deployment days. During FY19, revenue from operations increased from Rs.209.38 crore to Rs.328.18 crore (Y-o-Y change of 57%) mainly led by robust performance in H2FY19 due higher vessel deployment days. Further during 9MFY20, the company

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

has achieved revenue of Rs.296.14 crore (38.18% YoY growth) and PAT of Rs.104.52 crore (2.67x YoY growth). The company generates 80-90% of operating revenue from domestic markets with balance generated from overseas markets.

Key Rating Weaknesses

Industry highly sensitive to economic and commodity price cycle

The prospect for the offshore services industry hinges upon the growth of Oil & Gas Exploration and Production (E&P) activities. Since field and new exploration, activity is supported by the MSV and utility vessels of Seamec, its revenues will be directly affected by the level of E&P activities of major oil & gas companies. Any decline in E&P spending by these major oil & gas companies can have a negative impact on the demand for offshore service vessels, which would also impact the vessels day rates.

Higher average age of the fleet and redeployment risk

The average age of Seamec's fleet is around 35 years, which continues to remain a major concern. With periodic changes on the regulatory front pertaining to the age of the servicing vessels, the redeployment risk of putting up the old vessels on a long-term charter significantly increases.

Revenue concentration from offshore support vessels

Seamec's revenues are dependent upon the E&P activity of some of its major customers in the Oil & Gas industry which has recently taken a hit due to decline in upstream investment. Within the Oil & Gas industry as well, Seamec offers its services only to particular sub-segment which further exposes the company to revenue concentration risk.

Analytical approach: Standalone. However, potential liabilities arising out of the corporate guarantee issued in favour of the lenders of its subsidiary company 'Seamec International' has been factored in the analysis.

Applicable Criteria

[Policy on withdrawal of ratings](#)

[Criteria for Short Term Instruments](#)

[Financials Ratio-Non Financial Sector](#)

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

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

[Rating Methodology – Shipping Industry](#)

About the company

Incorporated in December 1986, Seamec Limited (erstwhile South East Asia Marine Engineering & Construction Limited) owns and manages offshore support vessels with a total fleet of 6 vessels. The services provided by Seamec includes, marine & vessel management, diving support, fire fighting, sub-sea construction pipe-laying, rescue operations, logistics, mooring and de-mooring, carnage etc. HAL Offshore Limited (part of the Delhi-based MM Agarwal group) acquired a 51% stake in the company in April 2014 and increased its shareholding to 75% in September 2014, further reduced to 69.57% as on March 31, 2019. HOL is into similar line of business and also provides integrated offshore services to the oil and gas industry.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	209.38	328.18
PBILDT	51.95	127.80
PAT	0.29	76.71
Overall gearing (times)	0.03	0.01
Interest coverage (times)	48.96	104.50

A: Audited

Note: The financials have been reclassified as per CARE standards

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for 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/Non-fund-based-LT/ST	-	-	-	-	Withdrawn
Non-fund-based - ST-Forward Contract	-	-	-	-	Withdrawn

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/ ST-Working Capital Limits	LT/ST	-	-	-	1)Withdrawn (05-Apr-19)	1)CARE BBB+ / CARE A2 (Under Credit watch with Developing Implications) (06-Apr-18)	1)CARE A- / CARE A2+ (Under Credit watch with Developing Implications) (23-Nov-17)
2.	Fund-based/Non-fund-based-LT/ST	LT/ST	-	-	-	1)CARE BBB+; Stable / CARE A2 (04-Jul-19) 2)CARE BBB+; Stable / CARE A2 (05-Apr-19)	1)CARE A2 (Under Credit watch with Developing Implications) (06-Apr-18)	1)CARE A2+ (Under Credit watch with Developing Implications) (23-Nov-17)
3.	Non-fund-based - ST-Forward Contract	ST	-	-	-	1)CARE A2 (04-Jul-19) 2)CARE A2 (05-Apr-19)	1)CARE A2 (Under Credit watch with Developing Implications) (06-Apr-18)	1)CARE A2+ (Under Credit watch with Developing Implications) (23-Nov-17)

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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