

Seamec Limited

July 04, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term/Short term Bank Facilities	25.00	CARE BBB+; Stable / CARE A2 (Triple B Plus; Outlook: Stable / A Two)	Reaffirmed
Short-term Bank Facilities	5.00	CARE A2 (A Two)	Reaffirmed
Total	30.00 (Rs. Thirty Crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

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 further 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 network of the company has eroded over the past 3 years. However, 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', 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.

Key Rating Weaknesses

Declining trend in operational performance over past 3 years, however improved in FY19

Over the past few years, financial performance of Seamec was on a declining trend mainly led by decline in charter rates and deployment days coupled with muted opportunities in Middle East and South East Asia. However 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. The company generates 80-90% of operating revenue from domestic markets with balance generated from overseas markets.

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

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

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.

Liquidity

The liquidity profile of the company continues to remain strong with high liquid investments of Rs 97.40 crore (Rs.77.30 crore in Mutual funds and corporate bonds and Rs.20.1 crore in AIF and structured debt funds) cash and bank balance of Rs 13 crore and additional Rs. 35.15 crore as balances in fixed deposits as on March 31, 2019. (Rs 35.15 crore is kept as lien with bank for various facilities availed by the bank.)

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

[Criteria for Short Term Instruments](#)

[Financials Ratio-Non Financial Sector](#)

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

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

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, 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

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	-	-	-	25.00	CARE BBB+; Stable / 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 on April 05, 2019	Date(s) & Rating(s) assigned on April 06, 2018	Date(s) & Rating(s) assigned on November 23, 2017	Date(s) & Rating(s) assigned on February 07, 2017
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)	1)CARE A-; Negative / CARE A2+ (07-Feb-17)
2.	Fund-based/Non-fund-based-LT/ST	LT/ST	25.00	CARE BBB+; Stable / CARE A2	1)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)	1)CARE A2+ (07-Feb-17)
3.	Non-fund-based - ST-Forward Contract	ST	5.00	CARE A2	1)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)	1)CARE A2+ (07-Feb-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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About CARE Ratings:

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