

## Shahi Shipping Limited

September 17, 2019

### Rating

Facilities	Amount (Rs. Crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	7.00	CARE B; Stable (Single B Plus)	Assigned
Short-term Bank Facilities	3.00	CARE A4 (A Four)	Assigned
<b>Total Facilities</b>	<b>10.00</b> <b>(Rupees Ten crore only)</b>		

*Details of facilities rated in Annexure 1*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Shahi Shipping Limited (SSL) are constrained by small and fluctuating scale of operations, fluctuating profit margins with net loss incurred during FY19 (Prov.), working capital intensive nature of operations and presence in highly fragmented & competitive nature of shipping industry.

The ratings, however, derive strength from long track record of operations with experienced and qualified directors, established relationship with reputed customers and moderate capital structure.

The ability of the company to increase the scale of operations, improve profitability, capital structure and efficiently manage its working capital cycle is the key rating sensitivity.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

**Small and fluctuating scale of operations:** The total operating income (TOI) of the company has remained fluctuating in the range of Rs.14.76 crore to Rs.19.15 crore during FY16-FY18. Further, TOI has decreased to Rs.11.16 crore during FY19 (Prov.) owing to muted market conditions during the year. However, the scale of operations remained small with moderate tangible networth which limits the financial flexibility of the company to an extent to meet any exigency.

**Fluctuating profit margins with net loss during the past:** The profit margins of SSL have remained fluctuating from past three years i.e. FY16-FY18 on account of fluctuating realization from its customers. The PBILDT margin of the company stood in the range of 16.97% to 17.96% during FY16-FY18. However, due to higher depreciation and interest cost, the company has incurred net loss during FY16 and FY17. Nevertheless, on the back of reduction in interest and depreciation cost during the year, the PAT margin of the company stood at 6.12% in FY18. However, the profitability position has significantly deteriorated, as company has incurred operating and net loss during FY19 (Prov.).

**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. The collection period remained stretched at 327 days in FY18 (vis-à-vis 323 days in FY17). Further, the majority of its working capital requirements primarily met through working capital borrowings and hence, utilization of working capital limits remained almost full.

**Presence in highly fragmented and competitive nature of shipping industry:** SSL operates in the shipping industry which is fragmented with large number of small players resulting into intense competition. Further, the bargaining power of small players is limited with large customers affecting the barges rates. The company's profitability and ability to repay debt is affected by the barges 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.

#### Key Rating Strengths

**Long track record of operations with experienced and qualified directors:** SSL has long track record of about two decades of operations in shipping industry. The overall operations are looked after by director Mr. Sarvesh Kumar Shahi. Mr. Sarvesh Kumar Shahi has vast experience of 34 years in this industry through his association with company and also worked for other shipping companies. Moreover, other directors of the company are also qualified and experienced.

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

**Established relationship with reputed customers:** Over the years of operations, SSL has established long-term relationships with reputed customers. However, the customer profile remained moderately concentrated with top 5 customers comprising 36.41% of the net sales in FY18.

**Moderate capital structure and debt coverage indicators:** The capital structure of the company stood comfortable with overall gearing stood at 0.25x as on March 31, 2018 (vis-à-vis 0.64 times as on March 31, 2017). Further, the debt coverage indicators stood moderately comfortable during FY16-FY18. However, owing to net loss incurred during FY19 (prov.), the capital structure has deteriorated with overall gearing reached to 1.34 times as on March 31, 2019 (Prov.) whereas the debt coverage indicators turned at adverse level.

**Liquidity Analysis:**

The liquidity position is marked by moderately comfortable current ratio at 1.57 times as on March 31, 2018 (1.61 times as on March 31, 2017). Further, cash flow from operating activities stood positive at Rs.4.42 crore as on March 31, 2018. The fund based working capital limits remained fully utilized during past twelve months ended July, 2019. Moreover, free cash and bank balance stood at Rs.0.35 crore as on March 31, 2018 (vis-à-vis Rs.0.25 crore as on March 31, 2017).

**Analytical Approach:** Standalone

**Applicable Criteria**

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

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

[Criteria for Short Term Instruments](#)

[CARE's Methodology for Service Sector Companies](#)

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

**About the Company**

Originally established in the year 1985 as a partnership firm by Shahi family and got reconstituted as a private-limited company as Shahi Shipping Transport Private Limited, in 1990. Later in the year 2013, it got reconstituted into a public-limited company under the name of Shahi Shipping Limited (SSL). SSL is engaged in the shipping industry and provides transshipment & lighterage operations, fresh water supply, bunkers supply and container services. As on August 28, 2019, the company owns a fleet of 12 vessels which includes Fleet comprises mini bulk carriers, general cargo carriers, chemical carriers, water supply barges, tugs, and launches deployed in multi-year contracts with the customers. The fleets operate at JNPT & BPT ports and provide inland sea transportation services. The company is operating through its registered office in Masjid, Mumbai.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (Prov.)
Total operating income	17.89	11.16
PBILDT	3.21	-12.83
PAT	1.10	-14.65
Overall gearing (times)	0.45	1.34
Interest coverage (times)	3.07	NM

A: Audited; Prov.: Provisional; NM: Not Meaningful

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not Applicable

**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 - LT-Cash Credit	-	-	-	4.50	CARE B; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	3.00	CARE A4
Fund-based - LT-Proposed fund based limits	-	-	-	2.50	CARE B; Stable

**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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	4.50	CARE B; Stable	-	-	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	3.00	CARE A4	-	-	-	-
3.	Fund-based - LT-Proposed fund based limits	LT	2.50	CARE B; Stable	-	-	-	-

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

**Contact us****Media Contact**

Mradul Mishra  
 Contact No. – +91-22-6837 4424  
 Email ID – [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

**Analyst Contact**

Mr. Ashish Kambli  
 Contact No. – 022-67543684  
 Email: [ashish.kambli@careratings.com](mailto:ashish.kambli@careratings.com)

**Business Development Contact**

Ms. Meenal Sikchi  
 Cell: + 91 98190 09839  
 E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)

Mr. Ankur Sachdeva  
 Cell: + 91 98196 98985  
 E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)

Ms. Rashmi Narvankar  
 Cell: + 91 99675 70636  
 E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)

Mr. Saikat Roy  
 Cell: + 91 98209 98779  
 E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@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.

**Disclaimer**

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

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)**