



Press Release

SHM Shipcare Private Limited

April 05, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	31.00	IVR BBB-/Stable Outlook [IVR Triple B Minus with Stable Outlook]	Assigned	Simple
Proposed Long Term Bank Facilities	8.00	IVR BBB-/Stable Outlook [IVR Triple B Minus with Stable Outlook]	Assigned	Simple
Short Term Bank Facilities	79.00	IVR A3 [IVR A Three]	Assigned	Simple
Proposed Short Term Bank Facilities	20.00	IVR A3 [IVR A Three]	Assigned	Simple
Total	138.00 (Rupees One Hundred and Thirty-Eight Crore Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of SHM Shipcare Private Limited (SSPL) derives strength from experienced promoters with long track record of operation coupled with technical tie-ups with reputed companies, reputed and diversified client base limits counterparty risk, wide range of products & services and strong supply chain network, healthy order book position indicating satisfactory revenue visibility near medium term, comfortable capital structure and satisfactory debt protection metrics. The rating is however constrained on account of modest scale of operation, working capital intensive nature of operations, susceptible to foreign currency and raw material price fluctuations and bidding process in marine industry and stiff competition in industry segment limit pricing flexibility.



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Key Rating Sensitivities:

Upward Factors

- Growth in scale of operation with improvement in profit margins leading to improvement in cash accruals on sustained basis.
- Steady flow of orders and their timely execution
- Efficient management of working capital

Downward Factors

- Deterioration in the debt coverage indicators or capital structure with the overall gearing going above 2x due to increase in working capital borrowings or debt-funded capex undertaken by the company.
- Elongation in working capital cycle from current levels on a sustained basis.
- High amount of unhedged forex amount leading to negative impact on the profitability of the company

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters with long track record of operation coupled with technical tie-ups with reputed companies.**

SHM Shipcare Private Limited (SSPL) was established in the year 2001 as a partnership firm by Mr. Saifuddin Hajee and later as on April 25, 2022, the constitution was changed to private limited. The key promoter Mr. Saifuddin Hajee has more than three decades of experience in shipping business. Apart from promoters, company is managed by team of professionals to execute and monitor the work undertaken for satisfactory completion. Further all the key managerial associated with the company for more than decades and have relevant qualification and experience in their respective field. Besides, SSPL has technical tie-ups with various companies across the world for advanced systems required in the marine and industrial sectors, which improve the growth prospects as well as operational diversification of the company.



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- **Reputed and diversified client base limits counterparty risk**

SSPL has reputed national and international clients in the marine industry including the Indian Navy, The Indian Cost Guard, Mazagon Dock Shipbuilders Limited, The Shipping Corporation of India Limited, Oil and Natural Gas Corporation Limited, Jawaharlal Nehru Port Trust, Mumbai Port Trust and Chennai Port Trust and others. Besides, SSPL has a strong customer base in the industrial sector, which includes reputed government undertakings, shipping and shipyards, oil and gas companies across various sectors. Its reputed and diversified clientele reduces the counterparty risk to an extent.

- **Wide range of products & services and strong supply chain network**

The company manufacture a diverse range of maritime and offshore safety equipment ranging from High Speed FRP Boats, Rescue Boats, Rafts, Fire Extinguishers, Breathing Sets, Gun Metal Fittings, Ladders and Nets, Life-Saving Appliances etc. Further the company provides a one-stop solution for both sales and services and ensures quality solutions; timely delivery of their products and services through a comprehensive infrastructure of manufacturing, supplying, servicing & repairing etc. Further it specializes in undertaking complete engineering, procurement, construction, to commissioning of life-saving and fire-fighting systems, especially on offshore installations and new shipbuilding projects. The company has supply chain network all across India, Singapore, Dubai, Malaysia, and Sri Lanka. Through its network, customers are assured of prompt and quality pre-sales and post-sales support.

- **Healthy order book position indicating satisfactory near to medium term revenue visibility**

The company has healthy outstanding order book in hand amounting to ~Rs.498 crore as on January 01, 2023 aided by higher order inflows from the marine and industry segments. While orders in the marine segment are primarily driven by the government's focus on indigenous procurement, modernization of Navy and capacity expansion by shipyards, orders in the industry segment are driven by the company's increasing customer base. The orders in the marine segment require longer execution time of two to three years. However, any delay in execution of projects from the customers' end could delay revenue



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booking for the company, thereby impacting its profitability, and hence remains a key monitorable.

- **Comfortable capital structure and satisfactory coverage indicators**

The company's capital structure remains comfortable, as evident from an adjusted overall gearing and total outside liabilities / Adjusted tangible net worth of 0.93 times and 2.29 times respectively as on March 31, 2022, given its healthy net worth position as well as low debt levels due to reliance on non-fund-based facilities. Further debt coverage indicators marked by interest coverage ratio and total debt to gross cash accrual has improved stood comfortable at 2.42 times and 5.85 times respectively in FY22 mainly due to improvement in operating profit.

Key Rating Weaknesses

- **Modest scale of operation**

The total operating income of the company remained fluctuating during the past three years mainly on account of tender driven nature of business. Further the total operating income of the company has witnessed a y-o-y growth of ~14% and stood at Rs.179.50 crore in FY22 (as against Rs.157.12 crore in FY21) on account of higher order executions. Moreover, the company has achieved total revenue of Rs.148.07 crore in 9MFY23. However modest scale of operations coupled with modest tangible net worth base of at Rs.47.37 crore as on March 31, 2022 limits financial flexibility of the company during stress and hampers bidding capabilities for larger projects.

- **Working capital intensive nature of operations**

The company has high inventory period on account of high work in progress inventory of boats since the completion of the boat needs to meet stringent/strict guidelines from customers (like ONGC, BSF, Indian Coast Guard etc) and has to pass many testings, trials and then amendments are made regarding quality assurance resulting in elongated working capital cycle. Further, SSPL derives major portion of its revenue from the public sector and government entities where payment often takes around 3 months. Further gross current asset days stood elongated at 196 day in FY22 (as against 231 in FY21), and the company receives payment from its customers within 2-3 month from the date of



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bill raised. On the other hand the company makes payment to its suppliers as and when receives from the customers, thus the operating cycle remains elongated to 92 days in FY22 (vis-à-vis 85 days in FY21), resulting in full utilization of its working capital limits as on February 28, 2023.

- **Susceptible to foreign currency and raw material price fluctuations**

Exports contributed less than 5% to SSPL's revenues in FY22 and around 40% of its raw materials was imported. While a natural hedge provides some comfort, the company's operations remain exposed to the currency risk to an extent. Besides, raw materials account for 60% of the company's total cost. While the industry orders are mainly executed within three to six months, marine orders involve a longer execution time of two to three years. Thus, any significant fluctuation in raw material prices can adversely impact the company's profit margin. Nevertheless, Infomerics notes that the company enters into back-to-back arrangement with its suppliers, which largely mitigates the price risk. Besides, competition from established players in the industry and weak bargaining power against its reputed clientele limit the company's ability to entirely pass on the impact of raw material price fluctuations and foreign currency fluctuations to the customer.

- **Bidding process in marine industry and stiff competition in industry segment limit pricing flexibility**

The SHM group's tender-based operations and intense competition will constrain the business risk profile over the medium term. The bidding process followed in the marine industry, coupled with competition from strong players as well as stiff competition in the industrial segments, limit SSPL's pricing flexibility. Furthermore, the shipping services industry is highly fragmented and competitive, resulting in limited pricing power for players. However, the company's status as a nominated vendor of its key customers in the marine segment and its sound technical capabilities, which facilitate winning new projects in the industry segment, mitigate the risk to some extent.



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Analytical Approach: Standalone

Applicable Criteria:

[Criteria of Rating Outlook | Infomerics Ratings](#)

[Rating Methodology for Manufacturing Companies](#)

[Rating Methodology for Service Sector Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity – Adequate

The company's liquidity position is adequate, supported by the cushion available in the form of unutilised fund-based working capital limits. The company's average utilisation of sanctioned fund-based limits stood at around 73% during the last 12 months ended on February 28, 2023. The cash generation in the business is likely to be sufficient to service the debt repayment obligations which are low. The liquidity is supported by current remained at 1.42x as on March 31, 2022 and has free cash and bank balance of Rs.1.12 crore as on March 31, 2022.

About the Company

SHM Shipcare Private Limited (SSPL) was established in the year 2001 as a partnership firm by Mr. Saifuddin Hajee and later as on April 25, 2022 the constitution was changed to private limited. The key promoter Mr. Saifuddin Hajee has more than three decades of experience in shipping business. The company is engaged in providing one-stop-shop that offer a full service to vessel operators. The firm supplies and services marine & offshore safety equipment ranging from High Speed FRP (Fibre Reinforced Plastic) Boats, Rescue Boats, Rafts, Fire Extinguishers, Breathing Sets, Gun Metal Fittings, etc.; life-saving appliances such as Lifejackets and Lifebuoys, communication, and navigation equipment for several government agencies (Indian Navy, Mumbai Port Trust, Jawaharlal Nehru Port Trust, The Shipping Corporation of India Ltd and Mazagaon Dock Shipbuilders Ltd etc.) and private players.



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Financials (Standalone)*:

(Rs. Crore)

For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Audited)
Total Operating Income	157.12	179.50
EBITDA	12.27	15.59
PAT	2.37	5.28
Total Debt	46.60	46.19
Adjusted Tangible Net worth	40.17	47.37
EBITDA Margin (%)	7.81	8.69
PAT Margin (%)	1.48	2.90
Overall Gearing Ratio (times)	1.08	0.93

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA:

- CARE Ratings Limited in its press release dated March 23, 2023 has moved the rating of SHM Shipcare under Issuer Not Cooperating category due to nonavailability of information.
- ICRA Ratings and Research Limited in its press release dated November 24, 2022 has continued to place the rating of SHM Shipcare under Issuer Not Cooperating category due to nonavailability of information.

Any other information: None

Rating History for last three years:

		Current Ratings (Year 2022-23)			Rating History for the past 3 years		
Sr. No.	Name of Instrument / Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
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1.	Fund Based – GECL Loan	Long Term	9.00	IVR BBB- / Stable	–	–	–
2.	Fund Based – Cash Credit	Long Term	22.00	IVR BBB- / Stable	–	–	–
3.	Fund Based – Proposed Cash Credit	Long Term	8.00	IVR BBB- / Stable	–	–	–
4.	Non-Fund Based –	Short Term	20.00	IVR A3	–	–	–



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		Current Ratings (Year 2022-23)			Rating History for the past 3 years		
Sr. No.	Name of Instrument / Facilities	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
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	Letter of Credit						
5.	Non-Fund Based – Proposed Letter of Credit	Short Term	20.00	IVR A3	–	–	–
6.	Non-Fund Based – Bank Guarantee	Short Term	59.00	IVR A3	–	–	–

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com



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Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs 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/ AOPs in addition to the financial performance and other relevant factors.





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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term – Fund Based – GECL Loan	–	–	Dec-2027	9.00	IVR BBB- / Stable
Long Term – Fund Based – Cash Credit	–	–	–	22.00	IVR BBB- / Stable
Long Term – Fund Based – Proposed Cash Credit	–	–	–	8.00	IVR BBB- / Stable
Short Term – Non-Fund Based – Letter of Credit	–	–	–	20.00	IVR A3
Short Term – Non-Fund Based – Proposed Letter of Credit	–	–	–	20.00	IVR A3
Short Term – Non-Fund Based – Bank Guarantee	–	–	–	59.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details <https://www.infomerics.com/admin/prfiles/Lender-SPL-05-04-23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.