



Press Release

Seamec Limited

May 08, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Long term / Short term Bank Facilities - Non Fund based – Bank Guarantee (Cash Credit as a sub limit of Bank Guarantee)	25.00 (1.00)	IVR A-/ Stable Outlook (IVR Single A Minus with Stable Outlook)/IVR A2+ (IVR A Two Plus)
2	Short term Bank Facilities - Non Fund based – LER (Forward Contract)	5.00	IVR A2+ (IVR A Two Plus)
	Total	30.00	

Details of Facilities are in Annexure 1

Rating Rationale

The assigned rating derives strength from an extensive experience of the promoters, established track record of the company, revenue visibility, reversal of declining revenue trend, healthy financial risk profile, and strong demand prospects. However, these strengths are partially offset by ageing of vessels along with redeployment risk and cyclicity in the shipping business.

Key Rating Sensitivities

Upward Factor

- Significant and sustained growth in revenues and profitability.

Downward Factor

- Any decline in operating revenues, profitability and/or liquidity position.
- Any significant debt funded capex for new vessel acquisitions leading to substantial deterioration in debt protection metrics on a sustained basis.



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Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced management and established track record of the Company:

The Company caters to oil & gas industry in India and abroad. The Company has strong and established track record of over 30 years and has built a strong market position through its quality services evident by its past track record and repeated orders from its clients. The Company's management team has rich experience of the shipping industry. The board comprises of six members consisting of three independent directors.

Revenue visibility:

At present, the company has five owned Vessels. SEAMEC I was on time charter with ONGC till May 03, 2020. Future planning for deployment of the said vessel is in process. Vessel SEAMEC II was on time charter with ONGC (Through HAL Offshore Ltd) till December 28, 2019. ONGC has recently awarded Charter Hire of Company's Vessel "SEAMEC II" for a long term contract for a period of 5 years. The Vessel will be mobilised around July 2020. Vessel SEAMEC III was with ONGC till December 04, 2019. Post that from Feb 15, 2020 it was with Posh Subsea Pte Ltd till March 31, 2020. Now, the vessel has got 2 year contract with ONGC through HAL offshore. Vessel will be mobilised around July 2020. Vessel SEAMEC Princess was with Posh Subsea Pts Ltd till March 31, 2020. Future planning for deployment of the said vessel is in process. Vessel SEAMEC Gallant is currently on time charter with Clipper Bulk Shipping Ltd till March 2021.

In addition to above, the company has got a contract in consortium, where Seamec is the leader of consortium and has deployed one Barge of their consortium partner to ONGC till May 15, 2020. Company has also bid for operation & management of the vessel PRABHA owned by ONGC. Price bid is open and Seamec is shortlisted as L1. The contract is likely to start from July 01, 2020.

Reversal of declining revenue trend:

Total operating income has increased to Rs. 303.83 Crs in FY19 (FY18: Rs. 193.60 Crs, FY17: Rs. 207.57 Crs). The increase of revenue is attributed due to increase in overall deployment days of some of Company's vessel in comparison to previous year and revenue earned from the Barge Contract. This has been achieved despite one of the Company's vessels went for



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statutory dry dock and the vessel underwent modifications which resulted in decrease in deployment days. In addition, the bulk carrier had breakdown for an approx. period of 59 days due to technical snag, total time unutilised being 65 days. Moreover, during FY20, the Company has reported operating income of Rs. 274.69 Crs till Dec 2019 which is ~42% higher against consecutive nine months during FY19.

Healthy financial risk profile and improving EBITDA margin:

The financial risk profile of the company is comfortable with overall gearing of 0.01x and TOL/TNW of 0.42x as on March 31, 2019. The company does not have any term debt outstanding as on March 2019. The debt protection indicators are also healthy as on March 2019. The EBITDA margin has improved from 17.14% in FY18 to 33.81% in FY19 and to 44.67% in 9MFY20.

Strong demand prospects:

The increasing demand for oil and natural gases will drive the growth of Exploration & Production (E&P) activities in deeper water and ultra-deeper locations as well as shallow waters. This will drive the global offshore drilling market which will ultimately result in utilization of resources and assets of offshore players.

Key Rating Weaknesses

Ageing of Vessels and redeployment risk:

At present the company owns five vessels, out of that the age of three vessels are ~37 years, one vessel is ~36 years and the remaining one is of ~9 years. Ships are long term assets with a useful life of around 40 years in general based on the usage, maintenance & water it is running. Any change in regulatory terms such as limits on age of the vessel and rates by government charterers are likely to impact the company's business.

Cyclicalities in the shipping business:

The company generates revenues by chartering its vessels. This revenue is completely based on optimal capacity utilisation and management's ability to place the ship at competitive rates. The shipping freight rates have been volatile in the past and may



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continue to be in future. Any adverse movement in the freight rates can have negative impact on the company's cash flows.

Analytical Approach: Standalone

Applicable Criteria:

Rating methodology for Service Sector Companies.

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

The liquidity position of the company is comfortable with the current ratio of 1.27x as on 31 March 2019. The company is having Cash & cash equivalent (includes restricted cash in the form Bank deposits in FDRs) of Rs.48.69 Crs as on 31 March 2019. In addition, the company is having liquid investments of Rs 94.93 Crs.

About the Company

Seamec Ltd, incorporated in Dec 1986, owns and operates Multi-Support Vessels (MSV) for the provision of diving services, manned and unmanned subsea operations and related activities. These activities include inspection of underwater structures, firefighting services and remotely operated vehicle (ROV) support. The Company caters to oil & gas industry in India and abroad.

HAL Offshore Limited which is part of Delhi based MM Agarwal group holds 69.57% in the Seamec Ltd as on March 31, 2020. HAL Offshore Limited is into similar line of activity.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2018 (Audited)	31-03-2019 (Audited)
Total Operating Income	193.60	303.83
EBITDA	33.19	102.74
PAT	0.29	76.71
Total Debt	7.32	3.47
Tangible Networth	270.72	347.38
Ratios		



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EBITDA Margin (%)	17.14	33.81
PAT Margin (%)	0.14	23.22
Overall Gearing Ratio (x)	0.03	0.01

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1	Non Fund based – Bank Guarantee (Cash Credit as a sub limit of Bank Guarantee)	Long Term/ Short Term	25.00 (1.00)	IVR A-/ Stable Outlook /IVR A2+	--	--	--
2	Non Fund based – LER (Forward Contract)	Short Term	5.00	IVR A2+			

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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
Non Fund based – Bank Guarantee (Cash Credit as a sub limit of Bank Guarantee)	--	--	--	25.00 (1.00)	IVR A-/ Stable Outlook /IVR A2+
Non Fund based – LER (Forward Contract)	--	--	--	5.00	IVR A2+