



Press Release

SHM Shipcare Private Limited (SSPL)

June 05th, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	85.75 (Enhanced from Rs.31.00 crore)	IVR BBB/ Stable [IVR Triple B with Stable Outlook]	Upgraded	Simple
Short term Bank Facilities	100.00 (Enhanced from Rs.79.00 Crore)	IVR A3+ [IVR A Three Plus]	Upgraded	Simple
Proposed Long Term Bank Facilities	2.25	IVR BBB/ Stable [IVR Triple B with Stable Outlook]	Upgraded	Simple
Total	188.00 (Rupees One Hundred and Eighty-Eight Crore Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has upgraded the ratings assigned to the bank facilities of SSPL derive strength from sustained improvement in total operating income and expected to grow further with strong order book, improvement in profitability and moderate capital structure and experienced promoters with long track record of operation. The rating is however constrained on account of moderate working capital cycle, client concentration risk and exposure to intense competition.

Key Rating Sensitivities:

Upward Factors

- Significant growth in total operating income and further improvement in profitability margins thereby leading to overall improvement in cash accruals on a sustained basis.
- Improvement in working capital cycle while maintaining the current credit profile.

Downward Factors



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- Sustained decline in revenue and profitability and/or deterioration in working capital cycle and/or any unplanned debt fund led capex leading to deterioration in credit profile and the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Sustained improvement in total operating income and expected to grow further with strong order book

SSPL's revenue has increased by 51% on y-o-y basis to Rs.289.25 crore as per provisional FY24 due to higher revenue from lifesaving & firefighting segment backed by strong order book and timely delivery of projects. Infomerics expects revenue growth will remain high with strong order book and repetitive orders from its customers, SSPL has strong order book of Rs.405.78 crore (1.40 of FY24 provisional revenue which is expected to execute in next 12-18 months).

Improvement in profitability

SSPL's EBITDA margin has improved significantly to 14.08% as per provisional FY24 (FY23: 8.39%), due to increase in scale of operations and execution of higher margin contract from Oil and Natural gas corporation Limited (ONGC) with a higher proportion of revenue from high margin segment of chartered hiring. Infomerics expects EBITDA, margins to remain in the range of 10% to 15% due to high margin order book. PAT margin also improved to 7.87% as per provisional FY24 (FY23: 5.57%) due to healthy gross profitability despite increase in interest expenses.

Moderate capital structure

The tangible net worth has increased to Rs.69.31 crore as on 31st March 2024 provisional, as against Rs.18.84 crore as on March 31, 2023. The capital structure of SSPL marked by overall gearing ratio & TOL/TNW has improved significantly to 1.13x and 2.54x respectively as on 31st March 2024 (vis-à-vis 4.38x and 8.28x respectively as on March 31, 2023) due to infusion of equity through compulsory convertible preference shares of Rs.20.00 crore during FY24 along with healthy accretion of profits to reserves. Infomerics expects gearing to improve further



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from FY25 onwards with expected improvement in profitability and absence of debt led capex plans.

Experienced promoters with long track record of operation

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. Further all the key managerial associated with the company for more than decades and have relevant qualification and experience in their respective field.

Key Rating Weaknesses

Moderate working capital cycle

SSPL net operating cycle stood moderate at 52 days as per provisional FY24 as compared to 91 days in FY23, this improvement is led by declined in inventory and receivable days to 60 and 88 respectively (FY23: 88 and 113 respectively), although inventory and receivable days remain moderate due to nature of projects and its long tenor. Collection days have improved due to majority of revenue derived from ONGC which pay within 30 to 40 days from the date of completion of the project.

Client concentration risk

SSPL is exposed to client concentration risk as they receive 78.22% of the total operating income from top 10 customer in FY24 provisional out of which 50% its contributed from ONGC.

Exposure to intense competition

All the orders are tender based, and the revenues are dependent on the company's ability to bid successfully for these tenders.



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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Service Companies](#)

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

[Criteria for assigning Rating outlook.](#)

[Criteria on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity profile of SSPL is adequate with expected to generate gross cash accruals in the range of Rs.29 crore to Rs. 46 crores as against the repayment obligation of Rs.8.33 crore over FY25 and FY27. The current ratio stood at 1.28x as on 31st March, 2024 (FY23: 1.34x); while quick ratio remains moderate at 0.90x (FY23: 0.99x). The average fund-based bank limit utilization in the last 12 months ended April 2024 stood at 77%, the liquidity position of the company stood adequate. DSCR of the SSPL stood comfortable at 4.25x in FY24 provisional improved from 3.10x in FY23. Cash flow from operation are also positive at Rs.36.42 crore as per provisional FY24.

About the Company

SSPL was established in 2001 by Mr. Saifuddin Hajee as a partnership firm. It has been converted into private limited as on April 25, 2022. SSPL is engaged in manufacture a diverse range of maritime and offshore safety equipment, especially high speed FRP boats, rescue boats, rafts, fire extinguishers, breathing sets. apart from manufacturing company provide services for all lifesaving, firefighting, electronics, cargo gear equipment and general ship repair needs. SSPL have presence in 15 service station facilities all across India and overseas locations, and a cumulative team of 308 professional and support team.



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Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	179.50	191.67
EBITDA	15.59	16.09
PAT	5.28	11.07
Total Debt	46.19	52.46
Tangible Net Worth	47.45	18.84
EBITDA Margin (%)	8.69	8.39
PAT Margin (%)	2.90	5.57
Overall Gearing Ratio (x)	0.97	4.38
Interest Coverage (x)	2.42	2.62

* As per Infomerics Standard

Status of non-cooperation with previous CRA: ICRA Ratings in its press release dated January 23rd, 2024, has reaffirmed the ratings for the bank loan facilities of SSPL and continued under "ISSUER NOT COOPERATING" category on account of non-availability of information.

CARE Ratings in its press release dated April 22nd, 2024, has downgrade the ratings for the bank loan facilities of SSPL and continued under "ISSUER NOT COOPERATING" category on account of non-availability of information.

Any other information:

Rating History for last three years:

Name of Instrument /Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
				Date:- April 05, 2023	Date:-	Date:-
Long Term Bank Facilities	Long Term	85.75	IVR BBB/Stable	IVR BBB-/Stable	--	--



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Name of Instrument /Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
				Date:- April 05, 2023	Date:-	Date:-
Short Term Bank Facilities	Short Term	100.00	IVR A3+	IVR A3	--	--
Long Term Bank Facilities - Proposed	Long Term	2.25	IVR BBB/Stable	IVR BBB-/Stable	--	--

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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



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Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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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 Bank Facilities – Term Loan	--	--	--	0.30	IVR BBB/ Stable
Long Term Bank Facilities – Term Loan	--	--	30 th January 2028	7.95	IVR BBB/ Stable
Long Term Bank Facilities – Term Loan	--	--	30 th November 2028	37.50	IVR BBB/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	25.00	IVR BBB/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	15.00	IVR BBB/ Stable
Short Term Bank Facilities – Bank Guarantee	--	--	--	75.00	IVR A3+
Short Term Bank Facilities – Bank Guarantee	--	--	--	25.00	IVR A3+
Proposed Long Term Bank Facilities	--	--	--	2.25	IVR BBB/ Stable



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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-SHM-5jun24.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.

