



Press Release

Seacoast Shipping Services Limited (SSSL)

March 28, 2024

Ratings:

(INR Crore)

Instrument / Facility	Amount	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	14.50	IVR B-/ Stable (IVR Single B Minus with Stable outlook)	Upgraded and removed from Issuer Not co-operating category	Simple
Total	14.50	(Rupees fourteen Crores and fifty lakhs only)		

Details of Facilities are in Annexure 1

Detailed Rationale:

Infomerics has upgraded the ratings of SSSL on account of timely servicing of debt obligations since December 05, 2023, till date. The ratings further derive strength from improvement in operating risk profile, its experienced top management and comfortable debt protection indicators and capital structure. The ratings are however partially offset by stretched liquidity reflected by near full utilisation of working capital limits with frequent over utilisation, competitive and fragmented nature of industry, profitability susceptible to volatility in fuel price. The rating was migrated to ISSUER NOT COOPEARTING category as SSSL had not submitted all the required information for surveillance under the stipulated timelines. Subsequently, SSSL has cooperated and provided the information leading to removal of the rating from ISSUER NOT COOPEARTING category.

Key Rating Sensitivities:

Upward Factors:

Sustained improvement in revenue from core operations and achievement of projected profitability and improvement in overall liquidity.

Downward Factors:

Deterioration in working capital cycle and/or any deterioration in liquidity.



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Key Rating Drivers with detailed description

Key Rating Strengths:

Improved operating risk profile though driven by non-core business:

The total operating income of SSSL improved by 236% on y-o-y basis to Rs.429.58 crores in FY23 driven by shift of focus to trading of agro commodities from its core operations of providing bulk cargo services. EBITDA margins have improved to 7.17% in FY23 (FY22: 5.14%) due to trading of higher margins agro commodities. Ability to earn projected revenue and EBITDA from core operations of bulk cargo services would be key credit monitorable.

Experienced Promoter:

Key Rating Weaknesses:

Significant capex during FY25 leads to execution risk:

As per management, SSSL is planning to shift focus to its core activities of bulk cargo handling from FY25 onwards. SSSL has purchased acquisition of cargo ship on a hire purchase basis with total cost of Rs.51 crore, as per management SSSL is also planning to enter into air cargo services by purchasing licence from other company who is having such licence. The ability to stabilise bulk cargo as well as air cargo business would be key monitorable; however, these risks are mitigated by experienced promoter.

Stretched Liquidity:

SSSL's liquidity has been remained stretched with frequent overutilisation of working capital utilisation facilities for twelve months ended December 23. Working capital limits remained overutilized in the range of 4 days to 30 days from October 23- December 23.

Competitive and fragmented nature of industry:

The Indian logistics industry is characterized by high degree of fragmentation. India's diverse geographical and socioeconomic features and infrastructure limitations enable most of the logistics service providers in the country to provide the entire gamut of logistics services. Owing to this, the Company must compete with large number of small and medium-sized players operating in the sector. SSSL's earnings profile is largely dependent on transportation



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of dry-bulk cargo on charter hire basis. Intense competition may continue to restrict scalability and pricing power, thereby constraining profitability of the Company.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Service Sector Companies](#)

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

[Guidelines on what constitutes Non-Cooperation by clients](#)

[Criteria on Default Recognition](#)

[Criteria of Rating Outlook](#)

Liquidity- Stretched

The liquidity position remains stretched marked by frequent overutilisation in last two years. The free cash and bank balance of the company stood meagre at Rs.0.01 crore as on March 31, 2023.

About the Company:

SSSL is ship operator engaged in global transportation of dry-bulk commodities on chartered hiring basis. However, during FY22-FY24 SSSL has done trading of agro commodities as SSSL has faced liquidity issues in its cargo business due to decline in freight rates. The Company is run by sole promoter Mr. Manish Shah.

Financials: Standalone

(Rs. Crores)

For the year ended / As on	FY22	FY23
	Audited	Audited
Total Operating Income	127.80	429.58
EBITDA	6.57	30.81
PAT	2.56	14.28
Total Debt	22.51	28.38
Tangible Net worth (Book TNW)	47.71	61.99
<u>Ratios</u>		
EBIDTA Margin	5.14	7.17
PAT Margin	2.00	3.32
Overall Gearing ratio	0.47	0.46

**Classification as per Infomerics Standards*



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Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding	Rating	Date(s) & Rating(s) assigned in 2022-23 (Mar 20, 2023)	Date(s) & Rating(s) assigned in 2021-22 (December 22, 2021)	Date(s) & Rating(s) assigned in 2021-22 (May 6, 2021)
1.	Cash Credit	Long Term	14.50	IVR B-/ Stable	IVR D/ ISSUER NOT COOPERATING*	IVR D	IVR BBB- / Stable

* Issuer did not cooperate (INC); based on best available information.

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

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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
Cash Credit	--	--	Revolving	14.50	IVR B-/ Stable

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Seacoast-Shipping-mar24.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 based on complexity and a note thereon is available at www.infomerics.com.