



Press Release

Seamec Limited (SL)

November 18, 2021

Ratings

Facilities	Amount (INR crore)	Current Ratings	Previous Ratings	Rating Action
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)	IVR A-/Stable Outlook (IVR Single A Minus with Stable Outlook)/ IVR A2+ (IVR A Two Plus)	Reaffirmed
Short term Bank Facilities - Non-Fund based – LER (Forward Contract)	5.00	IVR A2+ (IVR A Two Plus)	IVR A2+ (IVR A Two Plus)	Reaffirmed
Proposed Long term / Short term Bank Facilities - Non-Fundbased – Bank Guarantee	--	Withdrawn*	IVR A-/Stable Outlook (IVR Single A Minus with Stable Outlook)/ IVR A2+ (IVR A Two Plus)	Withdrawn*
Total	30.00 (Thirty Crores Only)			

**As the company has not proceeded with the debt as envisaged.*

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of ratings to the bank facilities of Seamec Limited continues to takes into account extensive experience of management and established track record of the company, near to medium term revenue visibility, healthy financial profile and strong demand prospects for the Company's end user industry. The rating is however constrained by ageing of vessels and redeployment risk and cyclicity in the shipping business.



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Key Rating Sensitivities:

Upward Factors

- Significant and sustained growth in revenues and profitability.

Downward Factors

- Any significant & sustained 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.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of management and established track record of the company:

The management of the Company have extensive experience in the shipping industry. The Company has a 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 reputed clients like Oil & Natural Gas Corporation. The Company caters to oil & gas industry in India and abroad. The Company is listed on Bombay Stock Exchange & National Stock Exchange. The board comprises of six members consisting of three independent directors.

Near to Medium Term Revenue visibility

At present, the company has six vessels. Vessel SEAMEC II is deployed with ONGC for a period of five years from 24th July 2020. SEAMEC III has got 2-year contract with ONGC through HAL offshore. This vessel was deployed in October 2020. The company is in process for deployment of the vessel Seamec Princess. Vessel SEAMEC Gallant is currently deployed with Fast Freight Pte Ltd till March 2022. In FY-22, Company has acquired a new MSV vessel named as "SUBTECH PALADIN" on June 30, 2021 and it went on hire with James Fisher Marine Services Ltd on same date till Jan 2022 as bare boat charter. In September 2021, the Company acquired Barge Kreuz Glorious. With



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respect to this the Company has two projects on hand- 35 Days ONGC project to be done in November 2021 and a 90 Days ONGC project to be done during Jan 2022 to April 2022. The above contract provides near to medium term revenue visibility.

Favourable financial profile:

The financial risk profile of the company is comfortable with low financial leverage as envisaged by overall gearing of 0.00x (FY20: 0.00x) and TOL/TNW of 0.11x (FY20: 0.36x) as on March 31, 2021. The company does not have any term debt outstanding as of March 2021. However, for the acquisition of a new vessel amounting to INR 140.00 crores company has availed term loan of INR 80.00 crores and the balance has been funded by internal accruals. The debt protection indicators though deteriorated, remains healthy as of March 2021 as seen by Interest Coverage Ratio of 83.96x (FY20: 149x). The Company has healthy operating parameters as given by EBITDA margin of 23.33% (FY20: 41.81%) and PAT margin of 37.08% (FY20: 32.89%) for the year ended March 2021. The revenues of the Company reduced in FY21 to INR 229.24 crores from INR 365.25 crores in FY20 mainly on account of COVID-19 induced global lockdowns and disruptions leading to subsequent delay in getting new contracts. As shipping industry operates with a high operating leverage the loss of revenues in FY21 resulted in decrease in EBITDA to INR 53.48 crores from INR 152.73 crores and subsequent reduction in EBITDA margins in FY21 to 23.33% from 41.81% in FY20. As the Company had very low financial leverage levels till FY21, this reduction in EBITDA did not substantially affect the financial risk profile of the Company. The PAT for FY21 included an exceptional income of INR 61.89 crores. This resulted in PAT margins in FY21 to increase to 37.08 % from 32.89% in FY20. In H1 FY22 revenue & EBITDA margins rebounded to 129.91 crores (H1 FY21: 83.79) & 36.28% (H1 FY21: 13.56%). Debt protection metrics expected to remain healthy in FY22 & FY23 albeit with bit moderation due to new term loan.

Strong demand prospects for the Company's end user industry:

The Company mainly caters to shipping related needs of the companies majorly in oil and natural gas industry. With global scenario for oil and natural gas firming up post pandemic induced lockdowns and supply chain bottlenecks created by the same, the increasing demand for oil and natural gases will drive the growth of exploration activities and utilization of resources and assets of offshore industry in deeper water and ultra-deeper locations as well



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as shallow waters. This will in turn drive the global demand for shipping industry serving this industry.

Key Rating Weaknesses

Ageing of Vessels and redeployment risk:

Shipping is a highly capital-intensive business and requires huge initial investment and profitable deployment of ships for their useful life. At present the company owns six vessels, out of which the expected remaining life of one vessel is two to three years, The life of remaining five vessels is between 5 to 15 years. Ships are long term assets with a useful life around 40 years. Any change in sourcing terms such as limit on age of the vessel and rates by government charterers are likely to impact the Company's business. The management has stated that, the remaining useful life of the Company's five old vessels are 5 to 15 years. However, the Company has acquired one new vessel a new MSV vessel named as "SUBTECH PALADIN" on June 30, 2021. The Company will also adding new vessels in phased manner by way of debt & internal accruals. If need be, the Company will also purchase new vessels in due course. However, any such capex has not been planned presently.

Cyclicality 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. Any adverse movement in the chartering 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)



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Liquidity – Adequate

The liquidity position of the Company is expected to remain adequate as Gross Cash Accruals is expected to remain adequate for the maturing debt obligations. The Company has Cash & Cash Equivalents of INR 19.89 crores as of FY21. Additionally, it has Bank deposits of INR 125.51 crores (of which INR 40.61 crores has lien by the bank) as of FY21 and investments in unquoted Mutual Funds, Market Linked Debentures, Perpetual Bonds & Alternative Investment Funds aggregating to INR 222.50 crores. The average Bank Guarantee utilization for the past twelve months is ~ 25 % giving the company ample head room to participate in new contracts when opportunities arise. The Current Ratio for FY 21 stood at 3.39x (FY20: 1.64).

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 70.10% in the Seamec Ltd as on September 30, 2021. HAL Offshore Limited is into similar line of activity.

Financials Standalone:

For the year ended* / As On	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	365.25	229.24
EBITDA	152.73	53.48
PAT	130.12	97.63
Total Debt	0.00	0.00
Tangible Networth	477.38	570.07
Ratios		
EBITDA Margin (%)	41.81	23.33
PAT Margin (%)	32.89	37.08
Overall Gearing Ratio (x)	0.00	0.00

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable



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Rating History for last three years:

Sr . N o.	Name of Instrument/F acilities	Current Ratings (Year 2021- 22)			Rating History for the past 3 years			
		Type	Amou nt outsta nding (Rs. Crore)	Rating	Date(s) & Rating(s)) assigne d in 2020-21 (August 21, 2020)	Date(s) & Rating(s) assigned in 2020- 21 (May 08, 2020)	Date(s) & Ratin g(s) assign ed in 2019- 20	Date(s) & Ratin g(s) assign ed in 2018 -19
1.	Long term / Short term Bank Facilities – 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 Single A Minus with Stable Outlook)/IV R A2+ (IVR A Two Plus)	IVR A- /Stable Outlook (IVR Single A Minus with Stable Outlook) /IVR A2+ (IVR A Two Plus)	IVR A- /Stable Outlook (IVR Single A Minus with Stable Outlook)/I VR A2+ (IVR A Two Plus)	--	--
2.	Short term Bank Facilities - Non-Fund based – LER (Forward Contract)	Short Term	5.00	IVR A2+ (IVR A Two Plus)	IVR A2+ (IVR A Two Plus)	IVR A2+ (IVR A Two Plus)	--	--
3.	Proposed Long term / Short term Bank Facilities - Non-Fund based – Bank Guarantee	Long term / Short term	50.00	Withdrawn*	IVR A- /Stable Outlook (IVR Single A Minus with Stable Outlook) /IVR A2+ (IVR A Two Plus)	--	--	--

*As the company has not proceeded the debt as envisaged.



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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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
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)
Short term Bank Facilities - Non-Fund based – LER (Forward Contract)	-	-	-	5.00	IVR A2+ (IVR A Two Plus)

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Seamec-lenders-nov21.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Bank Guarantee	Simple
2.	LER Forward Contract	Simple

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.