

Rating Update

November 10, 2023 | Mumbai

Seacoast Shipping Services Limited

Update as on November 10, 2023

This update is provided in continuation of the rating rationale below.

The key rating sensitivity factors for the rating include:

Upward factor

- Improvement in liquidity by creating cushion in BLU resulted from healthy NCA
- Sustained improvement in scale of operation and sustenance of operating margin above 5%, leading to higher cash accruals.

Downward factor

- Decline in net cash accruals below Rs 3 crore on account of decline in revenue or operating profits.
- Witnesses a substantial increase in its working capital requirements thus weakening its liquidity & financial profile.

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL Ratings seeks regular updates from companies on the business and financial performance. CRISIL Ratings is, however, awaiting adequate information from Seacoast Shipping Services Limited (SCSSL) which will enable us to carry out the rating review. CRISIL Ratings will continue provide updates on relevant developments from time to time on this credit.

CRISIL Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

SCSSL was incorporated in 1982. It is engaged in providing international & domestic charter services. Its services include sea freight, customs clearance services, import and export services, third party shipments, inland transportation services, warehousing and distribution etc. The company's head office located in Ahmedabad and having various branch offices across India.

SCSSL is owned & managed by Mr. Manish Shah and Mr. Sameer Shah.

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Rating Rationale

September 27, 2022 | Mumbai

Seacoast Shipping Services Limited

'CRISIL B-/Stable' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.30 Crore
Long Term Rating	CRISIL B-/Stable (Assigned)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL B-/Stable**' rating to the bank facilities of Seacoast Shipping Services Limited (SCSSL).

The rating reflects SCSSL's continuous decline in business operations from increased working capital requirement resulting in poor liquidity. These weaknesses are partially offset by extensive industry experience of the promoters.

Key Rating Drivers & Detailed Description

Weakness:

Dependence on economic activity and trade volumes: SCSSL provides a variety of services related to the shipping and logistics industry linked to international trade which is moderately dependent on the economic cycle. Also, this industry in India is highly fragmented. Due to the recent economic downturn, this segment faced a significant decline in activity.

Working capital intensive operations: Its intensive working capital management is reflected in its gross current assets (GCA) of 560 days as on March 31, 2022. Its's large working capital requirements arise from its high and stuck debtor days of more than 550 days which resulted to poor liquidity.

Strengths:

Extensive industry experience of the promoters: The promoters have an experience of more than 25 years in shipping freight & logistics industry. This has given them an understanding of the dynamics of the market and enabled them to establish relationships with shipping lines and customers.

Liquidity: Poor

Bank limit utilisation is high at around 100 percent for the past twelve months ended Aug-22. Cash accruals are expected to be over Rs 6.2-7.3 crore which are sufficient against nil term debt obligation over the medium term.

Current ratio is low at 0.99 times on March 31, 2022. Low gearing and moderate net worth support its financial flexibility and provides the financial cushion available in case of any adverse conditions or downturn in the business.

Outlook: Stable

CRISIL Ratings believe SCSSL will continue to benefit from the extensive experience of its promoter, and established relationships with clients.

Rating Sensitivity Factors

Upward factor

- Improvement in liquidity by creating cushion in BLU resulted from healthy NCA
- Sustained improvement in scale of operation and sustenance of operating margin above 5%, leading to higher cash accruals.

Downward factor

- Decline in net cash accruals below Rs 3 crore on account of decline in revenue or operating profits.
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About the Company

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SCSSL is owned & managed by Mr. Manish Shah and Mr. Sameer Shah.

Key Financial Indicators

As on/for the period ended March 31	Unit	2022	2021
Operating income	Rs crore	127.80	243.16
Reported profit after tax	Rs crore	2.62	11.09
PAT margins	%	2.05	4.56
Adjusted Debt/Adjusted Networkth	Times	0.47	0.46
Interest coverage	Times	3.28	12.16

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs Cr)	Complexity Levels	Rating Assigned with Outlook
NA	Cash Credit	NA	NA	NA	30	NA	CRISIL B-/Stable

Annexure - Rating History for last 3 Years

		Current		2022 (History)		2021		2020		2019		Start of 2019
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	30.0	CRISIL B-/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	30	IndusInd Bank Limited	CRISIL B-/Stable

This Annexure has been updated on 27-Sep-2022 in line with the lender-wise facility details as on 26-Sep-2022 received from the rated entity

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Understanding CRISILs Ratings and Rating Scales

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