



## Paramounta Liberty Shipping (HK) Limited

Instrument	Rated Amount (in million USD)	Rating Action
Fund Based Limits-Term Loan	24.05	[ICRA]BB- (Negative)

ICRA has reaffirmed the long term rating of [ICRA]BB- (pronounced ICRA double B minus) to the USD 24.05 million term loan facilities of Paramounta Liberty Shipping (HK) Ltd (PMS). The outlook of the long term rating has been revised from Stable to Negative. Though the USD 24.05 million term loan facilities of the company are denominated in foreign currency, ICRA's rating for the same is on national rating scale, as distinct from an international rating scale.

While revising the outlook from Stable to Negative, ICRA has considered the deterioration in the operating and financial profile of the parent company, The Liberty Marine Syndicate Private Limited (LMS) in the current financial year, primarily on the back of the sharp decline in iron ore mining operations in Orissa, as well as the increase in the export duty on iron ore fines from 20% to 30% from January 2012 onwards. These adverse developments have led to a considerable decline in export volumes of LMS in the first nine months of the current financial year. ICRA believes that the weakening in the credit profile of the parent company, LMS, will have an impact on the credit profile of PLS as well, especially considering the fact that ICRA had earlier derived comfort from the commitment given by LMS to PLS in the form of an irrevocable and unconditional corporate guarantee for the loan taken by the latter. The rating also takes into account PLS's small scale of operations, with it owning a single vessel, thus exposing the company to asset concentration risks, lack of track record of the company in running operations across business cycles and the challenges regarding debt servicing from operating cash flows, with the present charter income being close to break-even levels. The rating incorporates the weak outlook of the shipping industry at present, especially the dry bulk cargo segment as well as PLS's adverse capital structure and depressed coverage indicators. The rating, however, derives support from the debt servicing comfort available to the lender in the form of a USD 0.9 million (mio) DSRA (approximately 3 months debt repayment obligation) as well as the commitment from the parent company, LMS. The rating also takes into account the experience of the promoters in the related businesses of iron ore export and port service operations including stevedoring, freight forwarding and chandling, among others.

### Company Profile

Incorporated in July 2010, PLS is a Hong Kong registered company engaged in the shipping business. The company owns a 52,191 dwt second hand Supramax vessel named Liberty Prrundencia, which is given on time charter hire.

### Recent Results

PLS reported a net profit of USD 0.64 mio (provisional) in FY11 on the back of an operating income of USD 2.31 mio (provisional).

**January 2012**

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\* For complete rating scale and definitions please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



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