

March 28, 2024

Atlantic Global Shipping Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long term – Fund based - Term loan	18.97	18.97	[ICRA]BB (Stable); reaffirmed
Long term – Fund based - Cash credit	1.00	1.00	[ICRA]BB (Stable); reaffirmed
Short term – Fund based – Other	5.77	5.77	[ICRA]A4+; reaffirmed
Long term – Fund based – Overdraft	2.00	2.00	[ICRA]BB (Stable); reaffirmed
Fund based – GECL	6.17	6.17	[ICRA]BB (Stable); reaffirmed
Short term – Non-fund based – BG	1.00	1.00	[ICRA]A4+; reaffirmed
Long term/Short term – Unallocated	0.09	0.09	[ICRA]BB (Stable)/[ICRA]A4+; reaffirmed
Total	35.00	35.00	

*Instrument details are provided in Annexure-I

Rationale

The rating reaffirmation factors in the experience of the promoters of Atlantic Global Shipping Private Limited (AGSPL) for more than three decades in the port agency services industry. AGSPL's wide range of services, its high geographic diversification with presence at all the Indian ports, a diversified customer base and a healthy market share in tanker traffic are the other factors that offer rating comfort.

The ratings are, however, constrained by the company's modest scale of operations and thin profit margins due to intense competition in the agency business as the domestic industry is highly fragmented with the presence of several organised and unorganised port service providers. ICRA notes that the company witnessed a healthy growth in revenue and profitability in FY2023, driven by the handling of a higher number of vessels. The performance is expected to improve in FY2025 amid healthy demand.

Further, ICRA takes note of the company's leveraged capital structure with gearing of 1.0 times (PY 1.3 times) and total outside liabilities (TOL)/total net worth (TNW) of 6.8 times (PY 7.5 times) as on March 31, 2023 due to the term debt availed in the past for capex, working capital debt and a relatively modest net worth base. The company's operations also remain susceptible to the economic cycles and variation in export-import trade.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in port services agency industry – The promoters of the company - Mr. Shabbir Fida Hussain Rangwala, Mr. Abbas Fida Hussain Barodawala and Mr. Ronak Shetty - have more than three decades of experience in the port services agency industry.

Integrated agency service provider – AGSPL is an integrated agency service provider, offering a range of services under one umbrella, from berthing to the departure of a vessel. It offers customs clearance, customs house agent, technical, legal, travel and other related services and acts as a general agent/owner's protective agent (OPA)/chartered agent.

High geographic diversification – The company is registered with all the Indian ports. Its presence all over India reduces the geographical concentration risk. The company receives majority of the revenue from Maharashtra (Mumbai port and Jawaharlal Nehru port) and Gujarat (Kandla, Sikka, Mundra, Veraval, Khambhat, Dahej etc.). Other major ports from where the company generates considerable revenue are Mangalore, Mormugao and Cochin on the west coast, and Chennai, Visakhapatnam, Paradip and Kolkata on the east coast. The company handles 45-50% of the tanker traffic at the Indian ports.

Credit challenges

Moderate scale of operations and volatile profitability – AGSPL has a moderate scale of operation with gross revenue in the range of Rs. 223.20-343.2 crore in the last three financial years and a net revenue of Rs. 40.54-53.69 crore during the same period. The profit margin has also been modest and volatile during the period, with OPM and NPM in the range of 3.1-4.8% and 1.1-2.5%, respectively. The moderate profitability is due to high competition in the sector.

Leveraged capital structure and high total outside liabilities owing to dependence on external debt and relatively modest net worth base – The company's TD/TNW improved to 1.0 times in FY2023 from 1.3 times in FY2022 and 1.9 times in FY2021 on the back of debt repayment and improved TNW. The TD/OPBDITA and interest coverage also improved to 2.8 times and 3.5 times, respectively, in FY2023 compared with 3.9 times and 2.8 times, respectively, in FY2022. The NWC/OI stood at -5.3% in FY2023 against -7.4% in FY2022. The working capital intensity remains negative, given the significant advances received from the customers.

Competitive pressure in port services agency industry – Intense competition in the port agency services industry due to the presence of several organised and unorganised agents exerts pressure on the company's revenue and profitability. However, the established relationship of the promoters with the customers mitigates this risk to some extent.

Susceptibility of revenues to economic cycles and variations in export-import trade – The company's revenue growth remains susceptible to the global economic slowdown and changes in the Government's policies on export-import trade.

Liquidity position: Adequate

The company's liquidity position is adequate with positive fund flow from operations in the last few years despite the moderate profit margins. The liquidity position is further supported by healthy unencumbered cash and bank balance and significant advances from customers and creditor funding, while it has a modest repayment obligation of Rs. ~3.6 crore in FY2024 and no major capex plans.

Rating sensitivities

Positive factors – ICRA is likely to upgrade AGSPL's ratings if there is a healthy improvement in profitability and scale of operations on a sustained basis, while maintaining a strong liquidity position.

Negative factors – The ratings may be downgraded if lower-than-expected sales and declining profitability on a sustained basis adversely affect the company's liquidity. Any larger-than-expected debt-funded capex that will moderate the debt coverage indicators or any further stretch in the working capital cycle will also put pressure on AGSPL's ratings.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable

Consolidation/Standalone

The assigned ratings are based on the standalone financial statements of AGSPL

Note (for analyst reference only):

About the company

Atlantic Global Shipping Private Limited (ASPL), incorporated in 1985, is the flagship company of the Sunrich Group. ASPL is engaged in port agency and logistical services for vessels coming to or leaving from the Indian ports. The company provides assistance for all services, from berthing to the departure of a vessel, including custom clearance, custom house agent, technical, legal, travel and other related services, and acts as a general agent/owner's protective agents (OPA)/chartered agents. The company is registered with all the Indian ports and custom offices. ASPL is also an ISO 9001:2008-certified port agency in India by Det Norske Veritas and accredited by the RVA.

Key financial indicators (audited)

AGSPL Standalone	FY2022	FY2023
Operating income	204.7	343.2
PAT	4.9	5.2
OPBDIT/OI	4.1%	3.1%
PAT/OI	2.4%	1.5%
Total outside liabilities/Tangible net worth (times)	7.5	6.8
Total debt/OPBDIT (times)	3.9	2.8
Interest coverage (times)	2.8	3.5

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs. crore

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current rating (FY2024)					Chronology of rating history for the past 3 years			
Instrument	Type	Amount rated	Amount outstanding as on March 31, 2023	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	
					Jan 31, 2023	Jan 31, 2022	Oct 29, 2020	
1 Fund based - Term loan	Long term	18.97	17.67	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	
2 Fund based – Cash credit	Long term	1.00	-	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	
3 Fund based – Other	Short term	5.77	-	[ICRA]A4+	[ICRA]A4+	--	--	
4 Fund based – Overdraft	Long term	2.00	-	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	
5 Fund based – GECL	Long term	6.17	4.55	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)	--	

6	Non-fund based - BG	Short term	1.00	-	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+
7	Unallocated	Long term/ Short term	0.09	-	[ICRA]BB (Stable) /[ICRA]A4+	[ICRA]BB (Stable) /[ICRA]A4+	--	[ICRA]BB (Stable) /[ICRA]A4+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund based – Term loan	Simple
Fund based – Cash credit	Simple
Fund based – Other	Simple
Fund based – Overdraft	Simple
Fund based – GECL	Simple
Non-fund based – Bank guarantee	Very Simple
Unallocated	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term loan	FY20	NA	FY31 – FY32	18.97	[ICRA]BB (Stable)
NA	Cash credit	NA	NA	NA	1.00	[ICRA]BB (Stable)
NA	Fund based – Other	NA	NA	NA	5.77	[ICRA]A4+
NA	Overdraft	NA	NA	NA	2.00	[ICRA]BB (Stable)
NA	GECL	FY21 – FY22	NA	FY25 – FY27	6.17	[ICRA]BB (Stable)
NA	Bank guarantee	NA	NA	NA	1.00	[ICRA]A4+
NA	Unallocated	NA	NA	NA	0.09	[ICRA]BB (Stable) / [ICRA]A4+

Source: Company

Annexure II: List of entities considered for consolidated analysis: Not applicable

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Branches



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