

March 19, 2025

## Apeejay Shipping Limited: Ratings reaffirmed; outlook revised to Negative from Stable

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
LT - Fund-based – Cash Credit	55.00	55.00	[ICRA]A+ (Negative); rating reaffirmed and outlook revised to Negative from Stable
LT - Fund-based – Term Loan/ WCTL	434.00	434.00	[ICRA]A+ (Negative); rating reaffirmed and outlook revised to Negative from Stable
LT/ ST - Non-fund-based	2.00	2.00	[ICRA]A+ (Negative)/[ICRA]A1; ratings reaffirmed and outlook on long term rating revised to Negative from Stable
<b>Total</b>	<b>491.00</b>	<b>491.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

The rating action factors in ICRA's expectation that the leverage and debt protection metrics of Apeejay Shipping Limited (ASL) are likely to remain moderate, driven by weaker than expected charter rates as well as increase in debt levels, post new vessel acquisition. In FY2025, the charter rates remained lower driven by subdued market conditions. In recent tenders, however, the charter rates have improved to an extent, which if sustained, is likely to improve the margins in FY2026. Nonetheless, the leverage position is likely to remain high with an estimated total Debt/OPBDITA of around ~2.9-3.0 times in FY2025 and ~2.2 times in FY2026. While the entity has sold 2 vessels, they have acquired two vessels in FY2025, resulting in higher debt compared to the previous fiscal. The ability of the entity to improve the leverage and coverage metrics in FY2026 remains a key monitorable.

The ratings continue to favourably factor in ASL's established track record in the dry bulk shipping business for more than four decades and a healthy relationship with Tamil Nadu Generation and Distribution Corporation (TANGEDCO) and Poompuhar Shipping Corporation (PSC) in coastal coal trade. The outlook on domestic coastal shipping remains favourable, given the likely demand for coal from thermal power stations in the southern part of the country. In addition, while the fortunes of the global dry bulk shipping industry are prone to economic cycles, the global bulk shipping industry's order book stands at less than ~6% of the current fleet. A limited supply pipeline is likely to keep the supply-demand situation balanced, supporting the rates in times of volatile global economic conditions. ICRA also notes that, a low loan-to-value (LTV) of its fleet at ~51% provides substantial financial flexibility. ICRA has also noted the rapid deleveraging in the Group through the sale of its tea estates along with the IPO of the hotel business that has significantly reduced the Group's debt position and improved its financial flexibility.

The ratings also factor in the cyclicity inherent in the shipping business, which is further accentuated by ASL's segmental concentration in the dry bulk business as well as the company's relatively small scale of operations. In addition, large exposure to Apeejay Tea Panama had been provided for in FY2024, resulting in lower net-worth position of the entity. However, the same has been fully provided for and no further provision is required, going forward. ICRA also notes that Apeejay Infralogistics Private Limited (AILPL, ASL's subsidiary) has refinanced its outstanding loans in FY2025, largely mitigating its refinancing risk. Overall, while the leverage is likely to remain high, the cash flows of the company is likely to remain comfortable, relative to its debt service requirements.

The Negative outlook on the long-term rating reflects ICRA's expectation that ASL's leverage is likely to remain high in the near term, owing to higher debt and moderate charter rates.

## Key rating drivers and their description

### Credit strengths

**Vast experience in dry bulk shipping industry with established market position in coastal coal trade** - ASL has an extensive operating history, spanning more than five decades. ASL operates entirely in the dry bulk segment, with coal accounting for a significant portion of the total goods carried by the fleet. Two ships are under Surrendra Overseas Panama (SOP) and SOP2. Before the refinancing, the two ships were under SOP. However, as a part of the refinancing exercise, the two ships are now on the books of two separate entities. While these two ships mostly operate in international waters, the bulk of the domestic ships under ASL are largely involved in coastal coal trade, catering to the demand of TANGEDCO and PSC. ASL has a healthy relationship with PSC and TANGEDCO in coastal coal trade, where the charter rates have been historically at a premium to the market rates.

**Comfortable LTV and established relationship with banks provides considerable financial flexibility** - The total long-term loan-to-market value of the ships is around 51% at present. This provides considerable financial flexibility. In addition, the scrap value of the ships covers almost 80% of the total outstanding external debt, which also provides comfort. Also, ASL has established relationships with domestic and international banks with a demonstrated ability to refinance debt at attractive terms in the past, which provides comfort.

**Favourable outlook on dry bulk shipping** – The global bulk shipping industry's order book stands at less than ~6% of the current fleet. A limited supply pipeline is likely to keep the supply-demand situation balanced, supporting the rates in times of volatile global economic conditions.

**Significant reduction in Group's leverage, improving the overall financial profile** - Over the years, the stressed performance of Apeejay Tea Limited (ATL) as well as of the Typhoo operations (in the UK) has increased the Group's debt as the losses were largely funded by debt. ATL also sold majority of its gardens in FY2023 and significantly reduced its debt obligations. The IPO in the hotel business resulted in further deleveraging of the Group. Consequently, the Group's overall debt is estimated to have declined substantially in FY2024 and FY2025.

### Credit challenges

**Moderate leverage and coverage indicators** - In FY2024, the company's shipping business moderated with the OI being lower by 54% at ~Rs.323 crore and the OPM at 46% as against 55% reported in FY2023. The moderation was on account of lower charter rates during the year compared to the charter rates in FY2023. In FY2025, the charter rates remained lower driven by subdued market conditions. In recent tenders, however, the charter rates have improved to an extent, which if sustained, is likely to improve the margins in FY2026. Nonetheless, the leverage position is likely to remain high with an estimated total Debt/OPBDITA of around ~2.9-3.0 times in FY2025 and ~2.2 times in FY2026. While the entity has sold 2 vessels, they have acquired two vessels in FY2025, resulting in higher debts compared to the previous fiscal. The ability of the entity to improve the leverage and coverage metrics in FY2026 remains the key monitorable.

**Inherent cyclicity in shipping business, segmental concentration risk** - ASL remains exposed to segmental concentration risk as the dry bulk segment accounts for its entire operating income. However, the company being an established player in coastal trade, provides some comfort. In addition, the charter rates in the dry bulk segment remain comfortable owing to a tightness in the demand-supply situation. While the charter rates had moderated in FY2024 and FY2025, the recent tenders witnessed some improvement.

**Exposed to high client concentration risk** - The client concentration risk is high with four of the six vessels on the books of standalone ASL deployed with TANGEDCO/PSC. As the coastal business has a higher working capital requirement, the higher number of ships deployed in that trade increases the overall working capital requirements of the company. However, ICRA notes that the logistics services provided by ASL remain critical for the smooth and continued operations of thermal power

plants based in Tamil Nadu, thus providing comfort. In addition, given the scope of the global trade of bulk commodities, AS has the option of deploying a higher number of ships in the sea-borne trade of coal and grains, reducing the client concentration risk.

### Liquidity position: Adequate

The company's liquidity position is adequate, given the expectation of healthy fund flow from business of ~Rs.110 crore in FY2026 vis-à-vis debt repayment obligations of ~Rs.55 crore. ASL procured two vessels in FY2025, the acquisition was funded from mix of debt and internal accruals. ICRA expects, going forward, ASL's cash flow from operations to remain adequate to meet the debt servicing obligations, on expectation of healthy charter rates and profitability.

### Rating sensitivities

**Positive factors** – The long-term rating outlook can be revised to Stable in case of sustenance of healthy charter rates, leading to a healthy improvement in leverage and debt coverage indicators of the company.

**Negative factors** - Pressure on ASL's ratings may arise if the credit metrics and return indicators weaken owing to a substantial decline in charter rates. Besides, any large support to the weaker Group entities may also lead to a negative rating action. Specific credit metrics for downgrade include total debt/OPBDITA (for consolidated shipping operations) of more than 2.0 times on a sustained basis.

### Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Entities in the Shipping Industry</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	While arriving at the ratings, ICRA has factored in the operational and financial risk profiles of Apeejay Shipping Limited along with its overseas shipping subsidiaries. In addition, the likely financial support to the other non-shipping subsidiaries has also been factored in. The details are given in Annexure - II

### About the company

ASL (previously known as Surrendra Overseas Ltd.), incorporated in 1948, is involved in the bulk shipping business. At present, the company has a fleet of seven vessels, including two under its wholly-owned subsidiaries, SOP and SOP2, with a combined capacity of 0.50 million DWT. ASL is a part of the Kolkata-based Apeejay Surrendra Group, which has interests in tea, hospitality, retail and real estate, in addition to shipping.

### Key financial indicators (audited)

ASL	Consolidated*	
	FY2023	FY2024
Operating income	628	326
PAT	80	-13
OPBDIT/OI	62.0%	43%
PAT/OI	12.7%	-4.0%
Total outside liabilities/Tangible net worth (times)	0.8	0.6
Total debt/OPBDIT (times)	1.1	2.4
Interest coverage (times)	9.1	3.0

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. Crore PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation \*consolidated shipping operations

### Status of non-cooperation with previous CRA: Not applicable

Any other information: None

### Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years						
		Amount rated (Rs. crore)	Date & rating in FY2025		Date & rating in FY2024		Date & rating in FY2023		Date & rating in FY2022	
			Mar 19, 2025	Jun 25, 2024	Apr 21, 2023	Apr 06, 2023	Jul 07, 2022	Nov 9, 2021	May 3, 2021	
1 Cash credit	Long term	55.00	[ICRA]A+ (Negative)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Stable)	[ICRA]A (Negative)
2 Term loan/WCTL	Long term	434.00	[ICRA]A+ (Negative)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Stable)	[ICRA]A (Negative)
3 Fund based limits – Term loan	Long term	-	-	[ICRA]A+ (Stable); withdrawn	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Positive)	[ICRA]A (Stable)	[ICRA]A (Negative)
4 Non-fund based limits	Long term	-	-	-	-	-	-	-	-	[ICRA]A (Negative)
5 Fund-based limits – Short-term loan	Short term	-	-	-	-	[ICRA]A1	[ICRA]A1	[ICRA]A2+	[ICRA]A2+	[ICRA]A2+
6 Non-fund based limits	Long term/Short term	2.00	[ICRA]A+ (Negative)/[ICRA]A1	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]A+ (Stable)/[ICRA]A1	[ICRA]A (Positive)/[ICRA]A2+	[ICRA]A (Stable)/[ICRA]A2+	[ICRA]A (Negative)/[ICRA]A2+
7 Proposed term loan	Long Term	-	-	-	[ICRA]A+ (Stable)	-	-	-	-	-

### Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based limits – Cash credit	Simple
Fund-based limits – Term loan/WCTL	Simple
Non-fund based limits – Long term/Short term	Very Simple

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	Fund-based Limits – Cash credit	-	-	-	55.00	[ICRA]A+ (Negative)
NA	Fund-based limits – Term loan/WCTL	-	Ranging between 5.5% and 9.3%	Upto FY2032	434.00	[ICRA]A+ (Negative)
NA	Non-fund based limits	-	-	-	2.00	[ICRA]A+ (Negative)/ [ICRA]A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis**

Company Name	Ownership	Consolidation Approach
Surrendra Overseas (Panama) Inc	100.00%	Full Consolidation
SOP2	100.00%	Full Consolidation
Surrendra Overseas (Singapore) Pte Limited	100.00%	Full Consolidation
Bengal Shipyard Limited	93.75%	Limited Consolidation
Apeejay Infra-Logistics Private Limited (AILPL)	99.00%	Limited Consolidation
Apeejay Logistics Park Private Limited (wholly-owned subsidiary of AILPL)	99.00%	Limited Consolidation
Oceanic Shipyard Limited	93.75%	Limited Consolidation

Source: Annual report FY2024

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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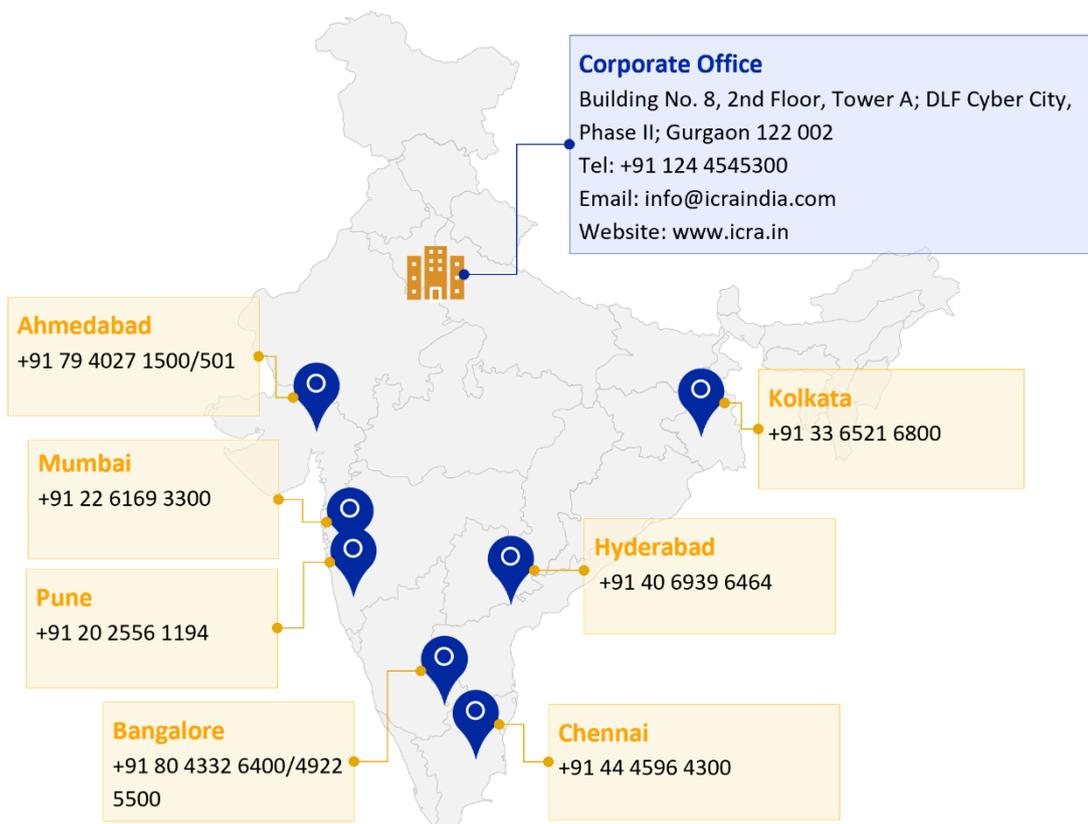
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