

March 17, 2025

Dempo Shipbuilding and Engineering Private Limited: Rating reaffirmed

Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|-----------------------------------|--------------------------------------|-------------------------------------|------------------------------|
| Long term fund-based: Cash credit | 8.00 | 8.00 | [ICRA]B (Stable); reaffirmed |
| Long term: Unallocated | 10.00 | 10.00 | [ICRA]B (Stable); reaffirmed |
| Total | 18.00 | 18.00 | |

*Instrument details are provided in Annexure I

Rationale

The rating reaffirmation takes into account the extensive experience of the promoters of Dempo Shipbuilding and Engineering Private Limited (DSEPL/the company) in the shipbuilding industry and the company's linkages to the Dempo Group. ICRA notes that the financial performance of the standalone entity is expected to improve marginally as the ongoing order execution will generate higher revenue, although the overall financial risk profile will remain weak.

The performance of the subsidiary - Modest Infrastructure Private Limited (MIPL) - has also remained subdued although it has been able generate higher revenues owing to a steady order inflow over the last couple of years. ICRA also notes that the consolidated entity continues to get financial support from the parent firm, V S Dempo Holdings Private Limited (VSDHPL), and the company has maintained timely debt servicing despite losses.

The rating continues to be tempered by the weak financial risk profile of the company, characterised by losses in the last few years, volatility in order flows and the susceptibility to fluctuations in raw material prices, given the fixed price nature of its sales contracts.

The Stable outlook on the [ICRA]B rating reflects ICRA's opinion that the company's credit profile will be supported by the expected liquidity support from its parent company and a modest growth in consolidated revenues and profitability.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in shipbuilding industry – DSEPL, incorporated in 1963, is involved in the construction and repair of barges, utility vessels and pontoons. DSEPL is a wholly-owned subsidiary of VSDHPL, which is an investment company of the Dempo Group. The company has two shipbuilding yards — one at old Goa on the banks of the Mandovi river and the other at Undir (Ponda, Goa) on the banks of the Zuari river. DSEPL has the capacity to undertake new construction of 10-12 vessels of up to 4,000 deadweight tonnage (DWT) per annum and carry out repairs of up to 1,000 tonnes per annum.

Status of DSEPL as part of Dempo Group – DSEPL is a part of the Goa-based Dempo Group, which has interests across mining, shipbuilding, media, food and beverages, travel and sports. The parent company, VSDHPL, continues to provide financial assistance, as and when required, to support the operations of the company. DSEPL, in turn, extends support to its subsidiary company, MIPL.

Credit challenges

Weak financial risk profile characterised by continued losses and depressed coverage indicators - DSEPL's consolidated financial risk profile has been historically characterised by consistent losses at the operating and net levels. On a consolidated basis, the company reported a small operating profit in FY2024 compared to an operating loss in FY2023. DSEPL's capital structure has improved post the conversion of CCDs into equities in Q1 FY2025 but the net worth at the consolidated level remains negative due to large accumulated losses in MIPL. The coverage indicators continue to be weak. On a consolidated basis, the overall debt level was Rs. 117 crore (promoter debt was as Rs. 22.09 crore in DSEPL & Rs. 76.09 crore in MIPL) as on March 31, 2024 with TD/OPBDITA at 127.7x. The borrowings mainly consisted of unsecured loans from VSDHPL and related parties as on March 31, 2024.

Volatility in orders flow – DSEPL's order book remains volatile on a standalone basis. At a consolidated level, the order book remains healthy with orders for both ship repairs and ship building for MIPL, some of which have been subcontracted to DSEPL. At present, the company is manufacturing a floating dock, subcontracted from MIPL. In addition, DSEPL has some repair orders from its existing clients but further revenue visibility remains muted as there has been no incremental order inflow in YTD FY2025.

Exposure to raw material price risk – The company's margins remain exposed to fluctuations in input prices, given the fixed-price nature of the usual contracts it receives. The current contract received by the company involves job work as the raw material is supplied by the customer, protecting the company from input price risks.

Liquidity position: Stretched

The liquidity of the company remains stretched due to its loss-making operations. Consequently, DSEPL largely depends on the support from its parent group to fund its losses and working capital requirements. While ICRA notes that the company's debt servicing has been regular because of the support from the parent VSDHPL, its ability to continue the same remains a key monitorable.

Rating sensitivities

Positive factors – The rating may be upgraded in case of a significant improvement in the order book position of the consolidated entity, leading to a substantial increase in its consolidated revenues and profitability on a sustained basis that would improve the liquidity profile.

Negative factors – Pressure on the rating could arise in case of a substantial decline in the revenues and profitability of the consolidated entity on a sustained basis, and/or a further elongation in the working capital cycle, leading to a deterioration in the liquidity profile. Further, any weakening of linkages or deterioration in the credit profile of the parent, VSDHPL, may also put pressure on the ratings.

Analytical approach

| Analytical Approach | Comments |
|---------------------------------|---|
| Applicable rating methodologies | Corporate Credit Rating Methodology |
| Parent/Group support | Parent Company: V S Dempo Holdings Private Limited (VSDHPL). ICRA expects DSEPL's parent company to be willing to extend financial support to it, should there be a need, given the high strategic importance that DSEPL holds for VSDHPL |
| Consolidation/Standalone | ICRA has used the consolidated financials of DSEPL, which includes its wholly-owned subsidiary MIPL |

About the company

Dempo Shipbuilding & Engineering Private Limited, incorporated in 1963, is a wholly-owned subsidiary of V S Dempo Holdings Private Limited (VSDHPL), which is an investment company of the Dempo Group. The company has two shipbuilding yards: one at old Goa on the banks of the Mandovi river and the other at Undir on the banks of the Zuari river. DSEPL has the capacity to undertake new construction of 10-12 vessels per annum of up to 4,000 deadweight tonnage (DWT) and carry out repair work of around 36 vessels of 350-2,000 DWT. In July 2012, DSEPL received approval from the Gujarat Maritime Board for the acquisition of a majority stake in Modest Infrastructure Private Limited, and consequently, MIPL became a subsidiary of DSEPL.

MIPL is a ship-building and repairing company, which undertakes projects of building small to medium-sized product tankers, bulk carriers and offshore survey vessels in addition to executing ship-repairing activities from its shipyard facility at Ramsar in Bhavnagar (Gujarat).

Key financial indicators

| DSEPL - Consolidated | FY2023 | FY2024 |
|--|--------|--------|
| Operating income | 32.1 | 63.1 |
| PAT | -8.5 | -5.9 |
| OPBDIT/OI | -1.2% | 1.5% |
| PAT/OI | -26.5% | -9.4% |
| Total outside liabilities/Tangible net worth (times) | -66.8 | -17.4 |
| Total debt/OPBDIT (times) | -291.2 | 127.7 |
| Interest coverage (times) | -0.1 | 0.1 |

Source: Company, ICRA Research; Amount in Rs. crore, PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; all ratios computed as per ICRA calculations

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating history for past three years

| Current rating (FY2025) | | | | Chronology of rating history for the past 3 years | | | | | |
|-------------------------|-----------|--------------------------|------------------|---|------------------|-------------|------------------|-------------|------------------|
| | | | | FY2024 | | FY2023 | | FY2022 | |
| Instrument | Type | Amount rated (Rs. crore) | 17-March 2025 | Date | Rating | Date | Rating | Date | Rating |
| Fund-based | Long term | 8.00 | [ICRA]B (Stable) | 17-JAN-2024 | [ICRA]B (Stable) | 24-MAR-2023 | [ICRA]B (Stable) | 31-DEC-2021 | [ICRA]B (Stable) |
| Unallocated | Long term | 10.00 | [ICRA]B (Stable) | 17-JAN-2024 | [ICRA]B (Stable) | 24-MAR-2023 | [ICRA]B (Stable) | 31-DEC-2021 | [ICRA]B (Stable) |

Complexity level of the rated instruments

| Instrument | Complexity Indicator |
|----------------------------------|----------------------|
| Long term fund-based-Cash credit | Simple |
| Long term-Unallocated | Not Applicable |

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 | Long term – Fund-based | NA | NA | NA | 8.00 | [ICRA]B (Stable) |
| NA | Long term - Unallo-cated | NA | NA | NA | 10.00 | [ICRA]B (Stable) |

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 | SPIL's ownership | Consolidation approach |
|--|---------------------|------------------------|
| Dempo Shipbuilding and Engineering Private Limited | 100% (rated entity) | Full Consolidation |
| Modest Infrastructure Private Limited | 92% | Full Consolidation |

Source: DSEPL annual report

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Branches



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