

Modest Infrastructure Limited

Instrument	Amount	Rating Action (June 2016)
Fund Based limit	Rs. 45.00 crore	[ICRA]C+ reaffirmed
Non-fund based limit*	Rs. 125.00 crore	[ICRA]C+/[ICRA]A4 reaffirmed
Proposed Limits	Rs. 80.00 crore	[ICRA]C+/[ICRA]A4 reaffirmed

*Interchangeable between long term scale and short term scale

ICRA has re-affirmed the long-term rating of **[ICRA]C+** (pronounced ICRA C plus) and the short-term rating of **[ICRA]A4** assigned to the Rs. 45.00 crore¹ fund based limits, the Rs. 125.00 crore non-fund based limits² and the Rs. 80.00 crore proposed limits of Modest Infrastructure Limited (MIL / the company)³.

The re-affirmation of the rating takes into account the company's weak financial performance as reflected by its consistently loss making operations (with losses at operating level since FY2014), which have resulted in complete erosion of its net-worth. Coupled with the increasing working capital intensity of operations on account of high receivables, this has resulted in a stretched liquidity position, as evidenced by negative fund flow from operations and high fund based limit utilisation levels. The prolonged losses incurred by MIL in the past were because of liquidated damages, high interest costs and cancellation of orders. Going forward, some of these factors would continue to exert pressure on the profitability of the company. Moreover, MIL's profitability remains vulnerable to input price variations owing to the fixed price nature of its contracts. The company's order-book position remains weak (Rs. 0.75 crore as of May 2016), although a recent sale of vessels in April 2016 provides revenue visibility in the near term. The company is also exposed to client concentration risks, given the nature of the shipbuilding industry.

The rating, however, favourably takes into account the financial support extended by the Dempo Group in the form of unsecured loans to fund MIL's cash losses and meet its liquidity requirements. ICRA also notes the experience of the promoters in the shipbuilding industry.

Company Profile

Modest Infrastructure Limited (MIL or the company) is shipbuilding and repairing company, which undertakes projects of building small to medium sized product tankers, bulk carriers and offshore survey vessels, in addition to ship-repairing activities. The company was started as a shipping agency, 'Modest Offshore Services Pvt. Ltd.', by Mr. Kishore Gambani. It was engaged in managing vessels, repairing, dry docking of ships and other ship-related services. In 2006, MIL ventured into the shipbuilding segment, and currently has a shipyard facility at Ramsar in Bhavnagar, Gujarat. In 2012, the Goa-based shipbuilding company—Dempo Shipbuilding & Engineering Private Limited—acquired 74% stake in MIL through share purchase/share subscription agreement.

For the year ended March 31, 2015, the company reported a net loss of Rs. 30.36 crore on an operating income (OI) of Rs. 51.66 crore. For the year ended March 31, 2016, the company reported a net loss of Rs. 36.44 crore on an OI of Rs. 31.66 crore (unaudited).

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¹ 1 crore = 100 lakh = 10 million

² Interchangeable between long-term scale and short-term scale

³ For a complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications.



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