

## Dempo Shipbuilding & Engineering Private Limited

Instrument	Amount	Rating Action
		<b>September 2016</b>
Long-term, fund-based limits	Rs. 8.0 crore	Downgraded to [ICRA]B from [ICRA]B+
Long-term, non-fund based limits	Rs. 75.0 crore	Downgraded to [ICRA]B from [ICRA]B+
Short-term, fund based / non-fund based Sub-limits*	Rs. 75.00 crore*	[ICRA]A4 reaffirmed

\* Rs. 75.0 crore short term fund based / non-fund based facilities are sub-limit of Rs.75.0 crore long term non-fund based limits

ICRA has downgraded the long-term rating to the Rs. 8.00 crore<sup>1</sup> fund-based bank facilities and the Rs. 75.00 crore non-fund based bank facilities of Dempo Shipbuilding and Engineering Private Limited (DSEPL) to [ICRA]B (pronounced ICRA B) from [ICRA]B+ (pronounced ICRA B plus)<sup>2</sup>. ICRA has reaffirmed the short-term rating to the Rs.75.00 crore short-term fund based / non-fund based working capital facilities of DSEPL at [ICRA]A4 (pronounced ICRA A four). The short term fund based / non-fund based bank facilities of Rs. 75.00 crore are sub-limit of the long term non-fund based facilities of Rs.75.00 crore.

The ratings downgrade takes into consideration DSEPL's deteriorating financial position due to continued losses incurred at the operating level and weakened liquidity position due to build up of receivables. The ratings are also constrained by the company's nominal order book position due to the prolonged downturn in the shipbuilding industry, which provides limited revenue visibility. The ratings also factor in the large investments and advances extended by DSEPL to its subsidiary company, Modest Infrastructure Limited (MIL, rated [ICRA]C+/[ICRA]A4 in June 2016), which has witnessed a complete erosion of net worth due to loss-making operations. MIL continues to depend on DSEPL's parent company, V. S. Dempo Holdings Private Limited (VSDHPL), to meet its financing requirements.

Nevertheless, the ratings are supported by the company's status of being a part of the Dempo Group of Companies, which provides financial and managerial support to DSEPL and extensive experience of the promoters in the shipbuilding industry.

DSEPL's ability to bag higher-value orders and continued financial support from the parent company would remain key rating sensitivities.

### Company Profile

DSEPL is a wholly owned subsidiary of V S. Dempo Holdings Private Limited (VSDHPL), which is an investment company of the Dempo group. The company currently has two shipbuilding yards: one at Old Goa on the banks of Mandovi river and the other at Udir on the banks of the Zuari river. DSEPL can undertake new construction of 10-12 vessels per annum of up to 4000 Deadweight Tonnage (DWT) and carry out repair work on around 36 vessels of 350- 2000 DWT.

In July 2012, DSEPL had received approval of Gujarat Maritime Board for acquisition of a majority stake in Modest Infrastructure Limited (MIL, rated [ICRA]C+ / [ICRA]A4 in December 2014), and consequently, MIL became a subsidiary of DSEPL. MIL 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).

### Recent Results

In FY2016, DSEPL reported a net loss of Rs. 4.66 crore on an operating income of Rs. 12.68 crore as compared to a net profit of Rs. 2.07 crore on an operating income of Rs. 50.60 crore in FY2015.

**September 2016**

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> 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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