

Sarvag Shipping Services Private Limited

Instrument	Amount (Rs. Crore)	Rating Action
Long Term – Cash Credit Limits	15.00	[ICRA]BB(Stable);assigned
Short Term –Letter of Credit	95.00	[ICRA]A4;assigned
Long Term/Short Term - Unallocated	Nil (Reduced from 22.00)	-

Rating of [ICRA]BB (pronounced ICRA B Plus) has been assigned to the Rs. 15.00 crore¹ cash credit facility of Sarvag Shipping Services Private Limited (SSPL)². ICRA has also assigned a short term rating of [ICRA]A4 (pronounced ICRA A four) to the Rs.95.00 crore Letter of Credit facility of SSPL. The outlook on the long term rating carries “Stable” outlook.

The assigned ratings also draw comfort from the extensive experience of the promoter and established experience of the company in the ship-recycling business. ICRA has also taken into consideration the company’s green-regime compliant certification from HKC for safe and environmentally sound recycling of ships, which enables it to procure ships at competitive prices. The ratings further draw comfort for SSPL’s association with GMS, one of the largest cash buyers of ships for recycling in the world, which provides benefits in easy procurement of ships despite unfavourable prices and sourcing constraints faced by other companies.

The assigned ratings are constrained by the low profitability and highly working capital intensive nature of operations which has led to high debt levels and creditor funding entailing a weak capital structure as evident from high gearing of 4.02 times. However, infusion of equity and recovery of short term advances in the current fiscal is expected to improve the capital structure.

ICRA also notes that the company is exposed to adverse movements in steel prices, foreign exchange rate fluctuations and regulatory risks related to delays in obtaining requisite approvals.

Going forward, the growth in SSPL’s operating income would remain contingent upon its ability to purchase new ships at competitive prices and to revive its operations; however availability of ships is expected to remain smooth due to GMS support and HKC compliant certifications. Availability of non-fund based limits to scale up operations would also remain a key concern. Further SSPL’s ability to maintain adequate profitability, given the time lag involved in the purchase and sale of ships, while managing foreign exchange exposure and working capital requirements effectively, would remain important from credit rating perspective.. Regular infusion of equity by promoters and recovery of significant advances to other companies would aid in improving the capital structure and its ability to reduce working capital needs.

Company Profile

Sarvag Shipping Services Private Limited was incorporated in 2004 by the Pandey and Bohra families. Subsequently in December 2014, SSPL was acquired by the promoters of the Leela Group. The company’s office is located at Bhavnagar, Gujarat, along with a ship recycling facility at the Alang Ship-breaking Yard. The size of its yard is around 2,385 sq. m. (45m x 53m). The company is owned and managed by Mr. Komalkant Sharma and family.

The Leela Group of companies has diversified operations in ship recycling, real estate, logistics, and media and entertainment. GMS, one of the largest cash buyers of ships, was founded by Dr. Anil Sharma, the brother of Mr. Komalkant Sharma.

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¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA’s website www.icra.in or other ICRA Rating Publications.



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