

Shiv Corporation

Instrument	Amount	Rating Action
Fund Based – Cash Credit	Rs. 8.40 crore	Revised from [ICRA]BB (Stable) to [ICRA]BB- (Stable)
Non-Fund Based – Letter of Credit	Rs. 80.00 crore	[ICRA]A4 re-affirmed
Non-Fund Based – Credit Exposure Limit	Rs. 1.60 crore	[ICRA]A4 re-affirmed

ICRA has revised the long-term rating re-affirmed to the Rs. 8.40 crore¹ cash credit facility of Shiv Corporation (SC)² from [ICRA]BB (pronounced ICRA double B) to [ICRA]BB- (pronounced ICRA double B minus). The outlook for the long term rating is stable. ICRA has also re-affirmed the short-term rating at [ICRA]A4 (pronounced ICRA A four) for the Rs. 80.00 crore non-fund based letter of credit and the Rs. 1.60 crore non-fund based credit exposure limit facility of SC.

The revision in ratings factor in the financial profile of SC, as characterised by sales de-growth in FY2016 owing to a slow market for the ship-breaking industry and fluctuations in steel prices as well as loss reported at operational level due to higher procurement costs. ICRA notes that the firm is exposed to adverse movements in steel prices, foreign exchange rate fluctuations, regulatory risks mainly related to environmental issues, and to delays in obtaining requisite approvals. The ratings are further constrained on account SC being a partnership firm, wherein any substantial withdrawal from the capital account would affect its net-worth and, thereby its capital structure.

The ratings, however, positively factor in the extensive experience of the promoters and established experience of the firm in the ship-recycling business. Besides, the ship-breaking industry is likely to revive, following the decline in ship procurement prices and improvement in domestic steel prices.

Going forward, growth in SC's operating income would remain contingent upon its ability to purchase new ships at competitive prices and to revive its operations. The profitability of the firm remains vulnerable to fluctuations in steel prices and foreign exchange rates. SC'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 a credit rating perspective. Availability of non-fund based limits to scale up operations would remain a key concern.

Company Profile

Shiv Corporation was incorporated as a partnership firm in 1994. It is engaged in ship breaking activities. The firm operates from its office at Bhavnagar, Gujarat, and from its ship breaking yard at Alang, Gujarat. SC currently also leases two plots at the Sosiya Ship breaking yard at Bhavnagar, Gujarat.

Recent Results

In FY2016, SC reported an operating income of Rs. 59.2 crore, as against Rs. 81.9 crore during FY2015; and a net loss of Rs. 0.6 crore, as against a net profit of Rs. 2.9 crore during FY2015.

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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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