

January 17, 2020

## Vir Varenya Shipping Singapore Pte. Ltd.: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (US\$ Million)	Current Rated Amount (US\$ Million)	Rating Action
Fund-based -Term Loan	6.888	6.888	[ICRA]BBB- (Stable); Reaffirmed
<b>Total</b>	<b>6.888</b>	<b>6.888</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The reaffirmation in rating factors in the elongation of bareboat charter contract with Wind Carrier (I) Limited (an SPV of United group) resulting in sustainable revenue potential till FY2023 matching the debt tenure. The ratings also derives comfort from the strong parentage of Vir Varenya Shipping Singapore Pte Ltd. (VVSSPL) in the form of the J.M. Baxi Group, one of the leading end-to-end logistics players in the country having integrated presence in the logistic chain as well as port operations; the established track record and extensive experience of the management in the logistics industry. ICRA also takes into account the favourable long-term prospects of the 10,000 DWT Ro-Ro ship deployed by VVSSPL given the expected demand growth in the infrastructure sector. ICRA further notes the healthy financial profile of the company characterised by healthy return indicators and moderate gearing levels.

The ratings, however, are constrained by high customer concentration as the company's cash flows are solely dependent on the single customer. The rating also factors in the high asset concentration of the company as the revenue is solely dependent on the Ro-Ro ship owned by the company. ICRA further notes the vulnerability of the company's operations to any slowdown in infrastructure sector and change in regulatory environment.

The Stable outlook reflects ICRA's belief that VVSSPL will continue to benefit from the extensive experience of its promoters, strong parentage and the favourable terms being enjoyed from the charter arrangement with Wind Carrier (I) Ltd.

### Key rating drivers and their description

#### Credit strengths

**Strong parentage on account of being a part of JM Baxi group** - VVSSPL is part of the Mumbai based end-to-end shipping-logistic industry major J. M. Baxi Group which has a history of over 100 years in shipping logistics sector. J M Baxi & Co. is one of India's largest integrated shipping-logistic agency, handling a wide assortment of over 6,000 vessels per annum at major and minor Indian ports.

**Long term contract with customer Wind Carriers (I) Limited resulting in sustainable revenue potential** - The company has chartered out the Ro-Ro ship to Wind Carrier (I) Limited on bareboat charter basis from April 2017

with a fixed charter rate per day basis. The company has been receiving the payment towards the charter on a regular basis.

**Low fluctuation in profitability considering a fully hedged position** - Major operational expenses for the vessel like ship management expenses and bunker cost are being borne by the counter party, Wind Carrier (I) Ltd. The volatility of fuel price affecting the bunker cost has been transferred to the counter party resulting in minimal fluctuation in profitability of the company.

## Credit challenges

**Dependency on a single customer resulting in risk concentration** - 100% of the revenue of VVSSPL comes from a single customer Wind Carrier (I) Ltd (SPV of United Heavy Lift Group). In near term the customer concentration is expected to remain at similar level as the long-term contract is expected to be maintained. ICRA, however, notes that the company has a demonstrated track record of receiving timely payment from this particular customer.

**Modest financial profile characterised by moderate gearing and debt coverage indicators** - As on March 31, 2019, gearing of the company stood at 1.2 times which is expected to further improve with reduction in debt outstanding. Total bank borrowing from the bank, stood at US\$ 3.9 as on March 31, 2019. As the company has limited capex plan in near term and robust revenue potential in near term, the coverage metrics are expected to improve.

**High asset concentration risk as 100% cash flow depends on single asset of the company** - The company's 100% revenue is dependent upon the charter received from the Ro-Ro ship. ICRA, however, notes that the company has a firm contract in place with the counter party which includes compensation for early termination clause

## Liquidity position: Adequate

VVSSPL's liquidity profile remains moderate as reflected by the moderate cash and bank balances of € 0.07 million as on March 31, 2019. The cashflow from operation has been robust € 1.3 million during FY2019 and expected to remain at similar level considering the firm contract in place. However, the group is expected to support the company's liquidity position as and when requirement arises.

## Rating sensitivities

**Positive triggers** – ICRA could upgrade VVSSPL rating if there is any significant improvement in risk profile of parent group or there is significant improvement in scale of business maintaining healthy profit margin and capital structure.

**Negative triggers** – Negative pressure on the rating could emerge if the company undertakes any further debt-funded capex or asset purchase or change in bareboat charter contract terms which impacts its capital structure and/or liquidity. Additionally, any deterioration in risk profile of the parent group may also warrant a downgrade.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	Parent/Group Company: JM Baxi Group The rating assigned to BLIPL factors in the very high likelihood of the JM Baxi Group extending financial support to it because of close business linkages between them. We also expect the JM Baxi Group to be willing to extend financial support to BLIPL out of its need to protect its reputation from the consequences of a group entity's distress.
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company.

## About the company

Incorporated in 2017, Vir Varenya Shipping Singapore Pte Ltd. (VVSSPL) is a wholly owned subsidiary of Boxco Logistics India Private Limited, the logistics arm of the JM Baxi group. J.M. Baxi group is an end to end logistics major having an experience of 100 years in the logistics and shipping industry. BLIPL provides one stop logistics solution in India through various divisions such as 1. Project Logistics 2. Bulk logistics, 3. Freight forwarding 4. Shipping and 5. Cold chain logistics. BLIPL along with its subsidiaries services diverse parts of the nation and delivers value-added services to sectors such as metals, power, oil and gas, fertilisers etc. VVSSPL owns a specialised 10,000 DWT Roll-on/roll-off ship<sup>1</sup> (Ro-Ro ship) that is currently being chartered to M/s Wind Carrier (I) Limited on a bare boat charter.

## Key financial indicators (audited)

	FY2018	FY2019
Operating Income (US\$ million)	2.08	2.22
PAT (US\$ million)	0.19	0.48
OPBDIT/OI (%)	81.2%	66.7%
RoCE (%)	13.5%	9.7%
Total Outside Liabilities/Tangible Net Worth (times)	2.05	1.34
Total Debt/OPBDIT (times)	3.62	2.65
Interest Coverage (times)	4.68	6.08
DSCR	4.68	1.18

<sup>1</sup> Roll-on/roll-off ships are vessels that are used to carry wheeled cargo. The vehicles in the ship are loaded and unloaded by means of built-in ramps. Normally these ramps are made towards the stern (backside) of the ship. In some ships, they are also found on the bow side (front) as well as the sides. The vessel can be of both military and civilian types.

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**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for past three years

	Instrument	Current Rating (FY2020)			Rating History for the Past 3 Years			
		Type	Amount Rated	Amount Outstanding	Rating	FY2019	FY2018	FY2017
					17-Jan-2020	11-Mar-2019	-	-
1	Fund-based -Term Loan	Long Term	6.888	3.9	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	-	-

*Amount in US\$ million*

### Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

### Annexure-1: Instrument details

ISIN	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	Feb-2017	NA	Sep-2022	6.888	[ICRA]BBB- (Stable)

Source: VVSSPL

### Annexure-2: List of entities considered for consolidated analysis

NA

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