ABS Marine Services Ltd — FY 2025 Annual Report Analysis

# Annual Report Analysis (Consolidated)

*Source: CRORES. All figures   Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.*

## Investor Snapshot

| # | Analytical Point | Sentiment |
|---|---|---|
| 1 | ABS Marine is pivoting to an asset-heavy offshore model, leveraging a □299 Cr 3-year ONGC contract pipeline to transition from a service-centric provider. | □ |
| 2 | ***Top-line grew 33.33% to   180.00 Cr, though 72.34% (  130.12 Cr) is concentrated within a single related party, Oceandeep Energies, creating extreme counterparty risk.*** | □ |
| 3 | ***Operating margins (OPM) compressed from 33% to 28%, primarily due to a 210% surge in sub-chartering costs, indicating a lack of operational leverage during the fleet expansion phase.*** | □ |
| 4 | ***While book profits remain positive, ROCE has diluted from 20% to 14%, reflecting an asset base that is currently expanding faster than the company's ability to generate incremental earnings.*** | □ |
| 5 | ***Total debt exploded by 290.56% to   178.41 Cr (0.86x D/E), with   27.14 Cr in near-term repayments creating significant liquidity pressure.*** | □ |
| 6 | ***The company reported deeply negative FCF of -  69 Cr, with a CFO/Capex ratio of just 0.39, highlighting a heavy reliance on external financing to sustain operations.*** | □ |
| 7 | **Aggressive fleet modernization involved □114 Cr in ship acquisitions, providing the necessary infrastructure to service high-value PSU contracts.** | □ |
| 8 | ***Significant earnings quality red flags exist as receivables grew 73% (outpacing sales), undisputed dues >6 months spiked 177% to   13.22 Cr, and maintenance expenses fell 37% despite a doubling of the fleet.*** | □ |
| 9 | ***Governance is a primary concern, marked by a   54.64 Cr corporate guarantee to a private promoter entity and KMP compensation increasing 236% to ~7% of PAT.*** | □ |
| 10 | ***The balance sheet is exposed to off-balance sheet liabilities and potential liquidity contagion if the primary RPT customer faces financial distress.*** | □ |
| 11 | **Medium-term visibility is supported by a 22x natural forex hedge (□94 Cr inflow vs □4 Cr outflow) and the successful deployment of IPO proceeds for fleet renewal.** | □ |
| 12 | Maintain a WATCH stance; re-rating requires RPT revenue concentration to fall below 40% and a reversal in the deteriorating trend of >6-month receivables. | □ |

## 1. BUSINESS OVERVIEW (In Bullet Points)

- **Segment Evolution & Revenue Drivers:** The business operates across four pillars: Ship Owning, Ship Management, Marine Services, and Port Services. The "Ship Owning" segment has taken center stage following the acquisition of the *Ocean Diamond* (a DP2 offshore vessel). Revenue is shifting toward high-value, long-term chartering contracts.

- **The ONGC Concentration:** Management secured two massive contracts with ONGC: ABS Anokhi (₹102 Cr over 3 years) and ABS Celestial (₹197 Cr over 3 years). While providing high revenue visibility, these significantly increase counterparty concentration risk.
- **Cost Drivers:** Primary costs include Charter Hire Charges (paid to third parties), Ship Crew Officers Remuneration, and Ship Running and Maintenance. A strategic shift toward sub-chartering has led to a 210.68% spike in charter hire expenses.
- **Industry Position:** The company is pivoting from a service provider to an asset-heavy offshore player, positioning itself to capitalize on the Indian offshore recovery.
- **Expansion Plans & Capacity Additions:** The company is in a multi-year Capex cycle, addressing a previously 66% depreciated fleet. The "Ships" gross block increased by ₹113.00 Cr in FY25.
- **Acquisitions:** Acquisition of the *Ocean Diamond* for ₹27.97 Cr was a key milestone, with further intent to acquire vessels using remaining IPO proceeds and debt.
- **Segment Performance:** Charter Hire income surged 84.62% to ₹101.93 Cr, while Ship Management Fees saw a slight contraction of 2.72% to ₹76.74 Cr.
- **Geographical Presence & FX Edge:** The company has a massive natural hedge with Foreign Exchange inflows of **₹94.13 Cr** against outflows of only **₹4.17 Cr** (a 22x ratio), making it a beneficiary of INR depreciation.

## 2. MANAGEMENT COMMENTARY & OUTLOOK

- Management has shifted strategy from "survival and consolidation" to "aggressive scaling" following a 130x oversubscribed IPO.
- A high-conviction bet on the Indian offshore recovery is signaled by the shareholder resolution to double borrowing limits from ₹300 Cr to ₹600 Cr.
- The company is transitioning the business model from "managing ships for others" to "owning assets and locking in PSU contracts" to capture higher margins.
- Professionalization of the C-suite is underway with the appointment of Mr. V.V. Ananthanarayanan as CFO, though strategic control remains tightly held by the Narayanan family.
- Management demonstrated high execution velocity by immediately deploying IPO capital into the revenue-generating *Ocean Diamond* asset.
- The "Oceandeep" relationship remains central to the strategy, with management seeking approval for transactions up to ₹49 Cr with this related entity.
- Growth guidance is implicitly aggressive, backed by the massive ONGC contract wins which provide an earnings floor for the next three years.
- The long-term vision involves utilizing the expanded ₹600 Cr borrowing limit to fund further fleet replacement and expansion.
- **Management Tone:** Aggressively Optimistic & Expansionary. Management is capitalizing on the IPO momentum to shift into a higher gear. The narrative is focused on asset ownership and PSU contract locks. However, the continued heavy reliance on Related Party Transactions and the request to double leverage suggest a high-risk, high-reward appetite that may test liquidity if the offshore cycle turns.

## 3. FINANCIAL ANALYSIS

### 3.1 Financial Statements

*Source: Screener.in — all monetary values in Crores. Use these numbers directly.*

## P&L Statement (□Crores)

| Line Item | Mar 2025 | Mar 2024 |
|---|---:|---:|
| Sales - | 180.00 | 135.00 |
| Sales Growth % | 33.00 | 21.00 |
| Expenses - | 130.00 | 90.00 |
| Manufacturing Cost % | 62.00 | 59.00 |
| Employee Cost % | 0.00 | 0.00 |
| Other Cost % | 10.00 | 8.00 |
| Operating Profit | 50.00 | 45.00 |
| OPM % | 28.00 | 33.00 |
| Other Income - | 4.00 | 0.00 |
| Exceptional items | 0.10 | -1.10 |
| Other income normal | 4.36 | 0.91 |
| Interest | 6.00 | 5.00 |
| Depreciation | 13.00 | 14.00 |
| **Profit before tax** | 37.00 | 26.00 |
| Tax % | 25.00 | 3.00 |
| **Net Profit -** | 27.00 | 25.00 |
| Minority share | 0.00 | -2.00 |
| Exceptional items AT | 0.00 | -1.00 |
| Profit excl Excep | 27.00 | 26.00 |
| Profit for PE | 27.00 | 24.00 |
| Profit for EPS | 27.00 | 24.00 |
| Profit Growth % | 11.00 | 177.00 |
| EPS in Rs | 11.05 | 0.00 |
| Dividend Payout % | 0.00 | 0.00 |

## Balance Sheet (□Crores)

| Line Item | Mar 2025 | Mar 2024 |
|---|---|---|
| Equity Capital | 25.00 | 18.00 |
| Reserves | 206.00 | 99.00 |
| Borrowings - | 178.00 | 46.00 |
| Long term Borrowings | 139.00 | 27.00 |
| Short term Borrowings | 40.00 | 19.00 |
| Other Borrowings | 0.00 | 0.00 |
| Other Liabilities - | 23.00 | 22.00 |
| Non controlling int | 9.77 | 9.65 |
| Trade Payables | 4.41 | 5.00 |
| Advance from Customers | 0.10 | 0.00 |
| Other liability items | 9.14 | 7.30 |
| **Total Liabilities** | 432.00 | 185.00 |
| Fixed Assets - | 183.00 | 82.00 |
| Building | 2.95 | 2.95 |
| Ships Vessels | 350.38 | 237.38 |
| Equipments | 0.40 | 0.36 |
| Computers | 0.39 | 0.36 |
| Furniture n fittings | 0.17 | 0.17 |
| Vehicles | 4.45 | 3.92 |
| Intangible Assets | 0.01 | 0.01 |
| Other fixed assets | 0.39 | 0.31 |
| Gross Block | 359.14 | 245.46 |
| Accumulated Depreciation | 175.76 | 163.51 |
| CWIP | 0.00 | 0.00 |
| Investments | 13.00 | 11.00 |
| Other Assets - | 236.00 | 92.00 |
| Trade receivables - | 56.00 | 32.00 |
| Receivables over 6m | 13.22 | 4.76 |
| Receivables under 6m | 42.30 | 27.29 |
| Cash Equivalents | 122.00 | 7.00 |
| Loans n Advances | 24.00 | 9.00 |
| Other asset items | 35.00 | 45.00 |
| **Total Assets** | 432.00 | 185.00 |

## Cash Flow Statement (□Crores)

| Line Item | Mar 2025 | Mar 2024 |
|---|---|---|
| Cash from Operating Activity - | 45.00 | 11.00 |
| Profit from operations | 51.00 | 45.00 |
| Receivables | -23.00 | -8.00 |
| Payables | 3.00 | -16.00 |
| Loans Advances | -10.00 | -8.00 |
| Operating borrowings | 21.00 | -1.00 |
| Other WC items | 13.00 | 3.00 |
| Working capital changes | 3.00 | -30.00 |
| Direct taxes | -9.00 | -5.00 |
| Cash from Investing Activity - | -235.00 | -15.00 |
| Fixed assets purchased | -114.00 | -13.00 |
| Fixed assets sold | 0.00 | 2.00 |
| Investments purchased | -2.00 | -5.00 |
| Investments sold | 0.00 | 0.00 |
| Interest received | 4.00 | 1.00 |
| Dividends received | 0.00 | 0.00 |
| Other investing items | -122.00 | 0.00 |
| Cash from Financing Activity - | 193.00 | -7.00 |
| Proceeds from shares | 86.00 | 0.00 |
| Proceeds from borrowings | 112.00 | 0.00 |
| Repayment of borrowings | 0.00 | -2.00 |
| Interest paid fin | -6.00 | -5.00 |
| **Net Cash Flow** | 3.00 | -11.00 |
| Free Cash Flow | -69.00 | 0.00 |
| CFO/OP | 108.00 | 34.00 |

## Key Ratios (□Crores)

| Line Item | Mar 2025 | Mar 2024 |
|---|---|---|
| Debtor Days | 113.00 | 87.00 |
| Inventory Days | 0.00 | 0.00 |
| Days Payable | 0.00 | 0.00 |
| Cash Conversion Cycle | 113.00 | 87.00 |
| Working Capital Days | 73.00 | 40.00 |
| ROCE % | 14.00 | 20.00 |

### 3.2 Financial Analysis Summary

- **Revenue** from operations grew 33.33% to ₹**180.00 Cr**, primarily driven by a massive 84.62% surge in Charter Hire income to ₹**101.93 Cr**, yet **Operating Profit** margin (**OPM**) contracted from 33.00% to 28.00% as **Charter Hire Charges** paid to third parties skyrocketed 210.68% to ₹**47.10 Cr**, signaling a strategic shift toward lower-margin sub-chartering activities.
- The quality of **Revenue** is under significant scrutiny as Ship Management Fees from related party Oceandeep Energies (₹**85.63 Cr**) exceed the total reported consolidated Ship Management **Revenue** of ₹**76.74 Cr**, suggesting potential misclassifications or off-market pricing that flows through the **P&L Statement** and impacts the **Net Worth** on the **Balance Sheet**.
- **Trade Receivables** on the **Balance Sheet** increased 75.00% to ₹**56.00 Cr**, significantly outpacing the 33.33% **Revenue** growth and causing **Debtor Days** to stretch from 87 to 113 days, which is further aggravated by a 177.73% spike in undisputed receivables older than 6 months to ₹**13.22 Cr**, indicating severe collection inefficiencies.
- **Total Debt** escalated 286.96% to ₹**178.00 Cr** to fund aggressive fleet expansion, resulting in **Finance Cost** rising to ₹**6.00 Cr** and a 5x surge in **Current Maturities of Long Term Debt** to ₹**27.14 Cr**, creating a substantial liquidity risk as these obligations must be serviced from a **Net Cash Flow** of only ₹**3.00 Cr**.
- While **CFO** improved to ₹**45.00 Cr** due to higher **Operating Profit** and working capital adjustments, the company reported a deeply negative **Free Cash Flow** (**FCF**) of **-**₹**69.00 Cr** because of ₹**114.00 Cr** in **Capex** for **Ships Vessels**, which saw its **Gross Block** increase to ₹**350.38 Cr** while **Ship Running and Maintenance** expenses paradoxically fell 36.88% to ₹**12.08 Cr**, potentially indicating deferred maintenance to inflate short-term **PAT**.
- **ROCE** diluted from 20.00% to 14.00% as the **Total Assets** base expanded 133.51% to ₹**432.00 Cr**, while **Asset Turnover** was pressured by the massive addition to **Fixed Assets** and a 187.99% increase in **Advances to Suppliers** to ₹**23.50 Cr**, suggesting capital is tied up in long-gestation assets or vendor advances.
- Governance and concentration risks are exceptionally high as Oceandeep Energies accounts for 72.34% of total **Revenue** (₹**130.12 Cr**) and the company has extended a **Corporate Guarantee** of ₹**54.64 Cr** for this entity, effectively exposing the listed entity's **Balance Sheet** to the credit risks of a private promoter-held company.
- **Other Income** rose to ₹**4.00 Cr**, and the company utilized ₹**1.96 Cr** of **Deferred Tax** assets to support a **Net Profit** of ₹**27.00 Cr**, which, when viewed alongside the 239% spike in **Payable for Expenses** to ₹**4.51 Cr**, suggests aggressive accounting maneuvers to maintain earnings optics during the IPO year.
- Despite the ₹**86.00 Cr** proceeds from share issuance boosting **Reserves** to ₹**206.00 Cr**, the company remains dependent on external **Borrowings** for growth, as evidenced by the ₹**112.00 Cr** in new debt proceeds and the lack of capital commitments for the remaining ₹**19.73 Cr** of unutilized IPO proceeds.
- **Other Assets** were impacted by a sharp drop in **Security Deposits** (from ₹**20.69 Cr** to ₹**7.73 Cr**), suggesting a liquidation of deposits to fund working capital; meanwhile, **Other Expenses** were bloated by **Professional Charges** spiking 175.38% to ₹**5.37 Cr** due to IPO-related costs.
- The company’s financial character this year is defined by aggressive, debt-funded asset expansion and a shift toward lower-margin sub-chartering, resulting in a significant dilution of **ROCE**, deteriorating **Trade Receivables** quality, and an extreme revenue concentration in a single related party that undermines the sustainability of its **PAT** and **CFO** growth.

### 3.3 Contingent Liabilities & Commitments

- **Bank Guarantees:** ₹41.92 Cr (Performance/Financial).
- **Customs Duty (In Appeal):** ₹1.15 Cr (Disputed).

- **Total Contingent Liabilities:** □43.07 Cr, representing 23.94% of revenue.
- **Corporate Guarantees:** □54.64 Cr provided for Oceandeep Energies and □31.70 Cr for Epsom Shipping India Pvt Ltd.
- **Capital Commitments:** Zero capital commitments reported for FY 2025, despite □19.73 Cr in unutilized IPO proceeds intended for vessel acquisition, suggesting a delay in procurement.

### 3.9 Earnings Quality & Forensic Checks

| # | Check | Impact | Status | Evidence | Notes Detail |
|---|---|---|---|---|---|
| 1 | PAT vs CFO trend | Profit ↓ — earnings overstate cash; □23.46 Cr receivable spike prevents PAT-to-CFO conversion. | □ | PAT □27 Cr vs CFO □45 Cr; CFO includes □21 Cr operating borrowings. | Note 15: Receivables grew 73% vs Sales 33%, bloating book profits without cash. |
| 2 | Receivables & channel-stuffing signal | Revenue ↑↓ — channel stuffing risk; receivables grew 73% vs revenue growth of 33%. | □ | Receivables □56 Cr (FY25) vs □32 Cr (FY24); Debtor days rose to 113. | Note 15: Undisputed receivables >6 months surged 177% to □13.22 Cr. |
| 3 | Revenue timing (unbilled / advances) | Revenue ↑ — aggressive recognition; advances to suppliers tripled while customer advances remain negligible. | □ | Supplier advances □23.50 Cr; Customer advances only □0.10 Cr. | Note 17: Massive advance to suppliers (188% growth) without corresponding inventory. |
| 4 | Revenue from related parties % | Revenue ↑↓ — concentration risk; related party Oceandeep Energies accounts for 72% of revenue. | □ | RPT Revenue □130.12 Cr out of □179.85 Cr total revenue. | Note 27: Ship management fees from RPT (□85.63 Cr) exceed total reported segment revenue. |
| 5 | Inventory vs revenue growth | Neutral — service model; company maintains zero inventory, typical for ship management. | □ | Inventory □0.00 Cr for both FY25 and FY24. | Note 18: Revenue is purely service-based. |
| 6 | Inventory valuation method change | Neutral — no inventory; valuation policy is not applicable to this service-heavy business model. | □ | Inventory balance is zero; no change in accounting policy reported. | Note 1: Significant accounting policies confirm no inventory-related valuation risks. |
| 7 | Exceptional items in operating profit | Profit ↑ — non-core boost; exceptional items and other income contributed □4.46 Cr to PBT. | □ | Exceptional items □0.10 Cr; Other income normal □4.36 Cr. | P&L: Other income rose from □0.91 Cr to □4.36 Cr, aiding profit growth. |
| 8 | Depreciation rate vs useful life policy | Profit ↑ — aggressive life; depreciation fell despite gross block increasing by □113.68 Cr. | □ | Depreciation □13 Cr (FY25) vs □14 Cr (FY24); Ships block doubled. | Note 10: SLM used for ships; lower depreciation on higher asset base suggests aggressive life. |
| 9 | Provision reversals boosting PAT | Profit ↑ — liability management; sharp drop in security deposits suggests potential reversal or liquidation. | □ | Security deposits fell from □20.69 Cr to □7.73 Cr. | Note 17: Liquidation of deposits used to fund working capital or offset against expenses. |
| 10 | Tax rate consistency | Profit ↑ — tax shield; DTA utilization of □1.96 Cr reduced current tax cash outflow. | □ | Tax rate 25% in FY25 vs 3% in FY24; Direct taxes □9 Cr. | Note 11: Net Deferred Tax Assets decreased, indicating utilization of past timing differences. |
| 11 | CWIP age and stalling projects | Neutral — asset deployment; CWIP is zero as new vessels were capitalized into gross block. | □ | CWIP □0.00 Cr; Ships/ Vessels gross block increased to □350.38 Cr. | Note 10: Assets moved from CWIP/Purchase to Gross Block. |
| 12 | Deferred tax asset recognition adequacy | Profit ↓ — DTA depletion; decreasing DTA balance reduces future tax-shielding capacity. | □ | DTA decreased from □9.75 Cr to □7.79 Cr. | Note 11: Company is actively utilizing deferred tax assets to support current PAT levels. |

| # | Check | Impact | Status | Evidence | Notes Detail |
|---|---|---|---|---|---|
| 13 | RPT quantum and trend | Profit ↑↓ — governance risk; □54.64 Cr corporate guarantee provided to a promoter-held entity. | □ | RPT transactions (Sales/Charter) totaled □130.12 Cr; Guarantee □54.64 Cr. | Note 27: Listed entity is exposed to credit risk of Oceandeep Energies via guarantees. |
| 14 | Dividend paid vs FCF adequacy | Neutral — cash conservation; zero dividends paid as FCF is negative due to capex. | □ | Dividend Payout 0%; Free Cash Flow negative □69 Cr. | Cash Flow: IPO proceeds and debt used for □114 Cr vessel acquisition. |
| 15 | Auditor Independence / Fee Spike | Profit ↓ — non-audit fee risk; Professional charges spiked 175% to □5.37 Cr. | □ | Professional Charges □5.37 Cr (FY25) vs □1.95 Cr (FY24). | Note 22: Likely includes significant non-audit fees related to the IPO. |
| 16 | Maintenance vs Asset Growth | Profit ↑ — deferred maintenance; maintenance spend fell 37% despite fleet doubling. | □ | Maintenance □12.08 Cr (FY25) vs □19.14 Cr (FY24). | Note 22: Divergence suggests potential under-provisioning to boost short-term PAT. |
| 17 | Subsidiary Transparency | Neutral — disclosure gap; reliance on unaudited financials for Singapore subsidiary in prior year. | □ | Auditor's Report p.23. | Transparency gap for the consolidated entity remains a minor concern. |

# 4. MANAGEMENT & GOVERNANCE

## A. Auditor Report & Key Audit Matters

- **Audit opinion type:** Unqualified (Clean).
- **Key Audit Matters (KAMs):** Not explicitly defined as KAMs in the provided report; however, the auditor noted reliance on unaudited financial statements for the Singapore subsidiary in the prior year, which remains a transparency gap for the consolidated entity.
- **Emphasis of Matter paragraphs:** None reported for FY 2025.
- **Auditor's comments on going concern:** No adverse remarks; accounts prepared on a going concern basis.
- **Auditor change during the year:** None. M/s N.C. Rajagopal & Co. continues their 5-year term.
- **Auditor fees:** Not explicitly disclosed; however, the 175.38% spike in **Professional Charges** to **□5.37 Cr** likely includes significant non-audit fees related to the IPO.

## B. Related Party Transactions

| Party | Relationship | Nature | Amount (□ Cr) | Concern |
|---|---|---|---|---|
| ***Oceandeep Energies Pvt Ltd*** | KMP Influence | Ship Management Fees (Income) | 85.63 Cr | ***72% Revenue Concentration*** |
| ***Oceandeep Energies Pvt Ltd*** | KMP Influence | Corporate Guarantee Given | 54.64 Cr | ***High Off-Balance Sheet Risk*** |
| ***Oceandeep Energies Pvt Ltd*** | KMP Influence | Charter Hire Charges (Income) | 44.49 Cr | ***Extreme Dependency*** |
| ***Oceandeep Energies Pvt Ltd*** | KMP Influence | Charter Hire Charges (Paid) | 54.64 Cr | ***Potential Cash Siphoning*** |
| ***Epsom Shipping India Pvt Ltd*** | Subsidiary | Investment in Subsidiary | 64.90 Cr | Capital Allocation |
| ***Epsom Shipping India Pvt Ltd*** | Subsidiary | Corporate Guarantee Given | 31.70 Cr | Group Leverage |
| **Capt. P.B. Narayanan** | Promoter/ KMP | Remuneration | 0.87 Cr | Standard |
| **Arathi Narayanan** | Promoter/ KMP | Remuneration | 0.37 Cr | Standard |

- **RPT Risk Checks:**
  - **% of Revenue:** 72.35% (□130.12 Cr / □179.85 Cr) → □**Extreme Concentration Risk**.
  - **% of CFO:** 309.44% (□139.25 Cr Total RPT / □45.00 Cr CFO) → □**Severe Cash Leakage Risk**.
  - **Trend:** Revenue from Oceandeep grew from □74.85 Cr to □130.12 Cr (+73.84%).
- **Red Flag Filters:**
  - ***Guarantees:*** □54.64 Cr guarantee for Oceandeep Energies exceeds the company's total FY24 debt.
  - ***Revenue Discrepancy:*** Ship Management Fees from Oceandeep (□85.63 Cr) exceed total reported consolidated Ship Management Revenue (□76.74 Cr).
  - ***Advances:*** Short-term trade advances of □6.28 Cr provided to related entities despite rising debt.

## C. Shareholding

| Shareholder Category | Mar 2025 (%) | Mar 2024 (%) |
|---|---|---|
| **Promoters** | 63.86 | 99.30 |
| **Public** | 36.14 | 0.70 |
| **Total** | 100.00 | 100.00 |
| * **Pledged Shares:** 0.00% of promoter holding. | | |

## D. Board Composition + KMP Compensation

- **Total Directors:** 7
- **Independent %:** 42.86% (3 out of 7)
- **Women Directors:** 3 (Ms. Shreelatha Narayanan, Ms. Arathi Narayanan, Ms. Leona Ambuja)
- **Family Concentration:** Capt. P.B. Narayanan, Shreelatha Narayanan, and Arathi Narayanan are members of the same family, controlling a significant portion of the board.

**KMP Compensation Analysis:** | KMP | Role | FY Current (□Cr) | YoY Growth % | % of EBITDA | |:---|:---|---:|---:|---:| | **Capt. P.B. Narayanan** | CMD | 0.87 Cr | 20.83% | 1.74% | | **Capt. Jeevan Krishnan** | WTD | 0.44 Cr | 29.41% | 0.88% | | **Arathi Narayanan** | Director | 0.37 Cr | 236.36% | 0.74% | | V.V. Ananthanarayanan | CFO | 0.18 Cr | N/A | 0.36% |

- **Flag: Arathi Narayanan's** compensation grew by 236.36%, significantly outstripping the 11.11% EBITDA growth.

## F. Capital Allocation & Capex

| Action | FY Current (□Cr) | FY Prior (□Cr) | % of CFO | Signal |
|---|---:|---:|---:|---|
| ***Capex*** | 114.00 Cr | 13.00 Cr | 253.33% | □ |
| ***Net Debt Change*** | 132.00 Cr | -2.00 Cr | 293.33% | □ |
| **Equity Issuance** | 86.00 Cr | 0.00 Cr | 191.11% | **Positive** |

**CAPEX Analytical Notes:** * **CFO Coverage of Capex**: CFO/Capex ratio is **0.39**. The funding gap of **□69.00 Cr** was bridged through the IPO and a 290% surge in borrowings. * **Nature of Capex**: **Growth Capex**. The **"Ships" gross block increased by □113.00 Cr**, including the acquisition of "Ocean Diamond." * **Deployment Efficiency**: Revenue grew 33% while the Gross Block grew 46%, suggesting a slight lag in asset turnover. * **Key Takeaways**: The **□113.00 Cr addition to the Ships block** is the primary driver of future revenue, but the **37% drop in maintenance expenses** despite a larger fleet is a forensic concern.

## H. Risks

| # | Risk | Description | Potential Impact | Severity |
|---|---|---|---|---|
| 1 | ***RPT Concentration*** | 72% of revenue from Oceandeep Energies. | Loss of major client would wipe out 70%+ of EBITDA. | □High |
| 2 | ***Debt Surge*** | Total debt increased 290% to □178.41 Cr. | Interest coverage risk; □27.14 Cr due in 12 months. | □High |
| 3 | ***Receivable Aging*** | Receivables > 6 months jumped 177%. | Potential write-offs; □13.22 Cr at risk of default. | □High |
| 4 | ***Off-Balance Sheet*** | □54.64 Cr guarantee for Oceandeep. | Default by related party would wipe out 2 years of PAT. | □High |
| 5 | ***Maintenance Divergence*** | Maintenance spend fell 37% despite fleet growth. | Risk of vessel breakdowns or regulatory non-compliance. | □ Medium |
| 6 | ***Forex Exposure*** | □102.63 Cr in foreign currency earnings. | High sensitivity to USD/INR volatility. | □Low |

## 5. SCORECARD & VERDICT

### Part A: Scorecard

| Dimension | Rating (1–5) | Delta | Key Evidence | One-line Rationale |
|---|---|---|---|---|
| Business Quality | 3 | → | 72% RPT Revenue; ONGC contracts □299 Cr | High revenue visibility from PSU contracts offset by extreme RPT and counterparty concentration. |
| Financial Health | 2 | ↓ | D/E ~0.86x; CFO/Capex 0.39; Debt ↑290% | Aggressive debt-funded expansion has created significant near-term repayment obligations. |
| Earnings Quality | 2 | ↓ | Receivables ↑73% vs Sales ↑33%; Maint. Exp ↓37% | Aggressive revenue recognition and potential deferred maintenance inflate book profits. |
| Management & Governance | 2 | ↓ | 72% RPT; □54.64 Cr RPT Guarantee; KMP Pay ↑236% | Listed entity appears to be subsidizing a private promoter entity with high RPT and off-balance sheet risks. |
| Capital Allocation & Earnings Visibility | 3 | ↑ | Ships Block ↑□113 Cr; FCF -□69 Cr | Massive asset addition provides visibility, but returns are currently below cost of capital. |

**BUSINESS POSITIVES (for this company this year)** * □**Revenue Growth:** Operations grew 33.33% to **□180.00 Cr**, driven by a surge in Charter Hire. * □**Order Book Visibility:** Secured long-term contracts with ONGC totaling **□299 Cr** over 3 years. * □**Natural Forex Hedge:** Foreign exchange inflow of **□94.13 Cr** vs outflow of **□4.17 Cr** (22x ratio). * □**Successful Capital Raise:** IPO raised **□86.00 Cr**, significantly strengthening the equity base. * □**Asset Modernization:** Deployed **□114.00 Cr** in Capex to renew an aging fleet, including the *Ocean Diamond*.

**BUSINESS NEGATIVES / CONCERNS (for this company this year)** * □**Extreme RPT Concentration: 72.34% of revenue (□130.12 Cr)** comes from a single related party, Oceandeep Energies. * □**Debt Explosion:** Total debt surged **290.56% to □178.41 Cr**, with **□27.14 Cr** due within 12 months. * □**Working Capital Stress:** Trade Receivables grew **73%**, and undisputed receivables >6 months jumped **177% to □13.22 Cr**. * □**Governance Red Flag:** Provided a **□54.64 Cr corporate guarantee** for a private promoter-held entity. * □**Margin Dilution:** OPM contracted from **33% to 28%** due to a **210% spike** in sub-chartering costs. * □**Forensic Divergence:** Ship maintenance expenses fell **36.88%** despite the fleet size doubling.

**OVERALL SCORECARD SUMMARY** ABS Marine is in a high-stakes transition from a service-based model to an asset-heavy offshore player. While the IPO and ONGC contracts provide a foundation for growth, the company's financial health is currently strained by a 290% surge in debt and deeply negative Free Cash Flow. Earnings quality is weak, characterized by receivables growing twice as fast as revenue and a suspicious drop in maintenance spending. Most critically, the governance posture is concerning, with the listed entity operating as a captive service provider for a private promoter entity, carrying significant off-balance sheet risks.

## Part B: Governance Check Matrix

| # | Check | Status | Evidence |
|---|---|---|---|
| 1 | Audit opinion clean? | □ | Unqualified opinion (p.23) |
| 2 | Promoter pledge = 0? | □ | 0.00% pledged |
| 3 | KMP pay < 5% of PAT? | □ | Total KMP pay ~□1.92 Cr is ~7% of PAT (□27 Cr) |
| 4 | RPT quantum < 5% of revenue? | □ | RPT is 72.35% of revenue |
| 5 | Board > 50% independent? | □ | 42.86% (3 out of 7) |
| 6 | At least 1 woman director? | □ | 3 women directors |
| 7 | No statutory dues outstanding? | □ | No major defaults reported |
| 8 | No fraud reported? | □ | None reported |
| 9 | Audit trail enabled? | □ | Confirmed in auditor report |
| 10 | Frequent Auditor change | □ | No change; 5-year term |
| Final line: "Total: 7/10 □— Governance Rating: 2" | | | |

## Part C: Investor Verdict

THESIS: A debt-fueled bet on the Indian offshore cycle, currently operating as a captive vehicle for promoter-held interests.

## OVERALL STANCE: WATCH

RATIONALE: Strong revenue visibility from PSU contracts is overshadowed by extreme related-party dependency and deteriorating receivable quality. RE-EVALUATE WHEN: RPT revenue concentration falls below 40% OR Debtor Days reduce below 90. BULL CASE: Successful deployment of the remaining □600 Cr borrowing limit into high-margin PSU contracts with ROCE returning to >20%. BEAR CASE: Default or liquidity stress at Oceandeep Energies triggers the □54.64 Cr corporate guarantee, wiping out two years of PAT. KEY MONITORABLE: Receivables > 6 months: □13.22 Cr → watch for any further spike or write-offs.

# 7. YEAR-OVER-YEAR ANALYSIS

## 7.1 Changes

| Metric / Theme | Summary A Status | Summary B Status | Forensic Takeaway |
|---|---|---|---|
| **Capital Allocation** | Maintenance-focused; liquidity drawdown (Cash fell 61%) to sustain an aging fleet. | Aggressive growth; ₹114 Cr Capex funded by ₹86 Cr IPO and 290% surge in debt. | The company has pivoted from capital conservation to a high-leverage expansion strategy that significantly increases fixed financial obligations. |
| **Margin Trajectory** | 33% OPM; expansion driven by high-margin ship management fees. | 28% OPM; contraction caused by a 210% spike in sub-chartering costs. | Profitability is being sacrificed for top-line scale as the business model shifts toward lower-margin asset-heavy operations. |
| **Working Capital** | 87 debtor days; receivables growth (33%) moderately higher than sales (21%). | 113 debtor days; receivables growth (73%) more than double sales growth (33%). | Deteriorating collection efficiency and a 177% spike in aged receivables suggest severe liquidity stress or aggressive revenue recognition. |
| **Management Tone** | Conservative and transitionary; focused on IPO as a necessary survival lifeline. | Aggressively optimistic; seeking to double borrowing limits to ₹600 Cr post-IPO. | Management has adopted a high-risk appetite that relies on continuous debt availability and a sustained offshore cycle. |
| **RPT Concentration** | 16.55% revenue concentration; ₹30.71 Cr guarantee for Oceandeep Energies. | 72.35% revenue concentration; ₹54.64 Cr guarantee for Oceandeep Energies. | The listed entity has transitioned into a captive service vehicle for a private promoter entity, centralizing nearly all credit risk. |
| **Maintenance Spend** | High relative to fleet; 66% depreciated assets required heavy upkeep. | 37% drop in maintenance expense despite a doubling of the "Ships" gross block. | The divergence between asset growth and falling maintenance spend is a forensic red flag suggesting potential expense deferral to inflate PAT. |

## 7.2 Persistent Patterns

- **Extreme Related Party Interdependency:** The company consistently utilizes its balance sheet to provide massive corporate guarantees to Oceandeep Energies, a private entity under KMP influence.
- **Family-Centric Governance:** The board remains dominated by the Narayanan family, with strategic control and KMP compensation tightly held within the promoter group.
- **Poor Cash Conversion Quality:** In both periods, **reported PAT is decoupled from organic cash generation**, with CFO consistently hampered by rising receivables or reliant on operating borrowings.
- **Natural Forex Hedge:** The business maintains a **structurally superior foreign exchange profile**, with inflows consistently dwarfing outflows (22x ratio in the current year).
- **Zero Shareholder Payouts:** Despite high accounting profits and ROCE, the company consistently pays zero dividends, retaining all capital to service debt or fund Capex.
- **Transparency Gaps:** Recurring reliance on **unaudited financial statements for the Singapore subsidiary** and administrative lapses in filing "satisfaction of charges" persist.
- **PSU Revenue Reliance:** The business remains structurally dependent on long-term PSU contracts (ONGC), providing high visibility but creating significant counterparty concentration.