ABS Marine Services Ltd — FY 2025 Annual Report Analysis

Annual Report Analysis (Consolidated)

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

P&L statement (□Cr)

Line item	Mar 2025	Mar 2024
Sales	180	135
Sales Growth %	33	21
Expenses	130	90
Manufacturing Cost %	62	59
Employee Cost %	0	0
Other Cost %	10	8
Operating Profit	50	45
OPM %	28	33
Other Income	4	0
Exceptional items	0.10	-1.10
Other income normal	4.36	0.91
Interest	6	5
Depreciation	13	14
Profit before tax	37	26
Tax %	25	3
Net Profit	27	25
Minority share	0	-2
Exceptional items AT	0	-1
Profit excl Excep	27	26
Profit for PE	27	24
Profit for EPS	27	24
Profit Growth %	11	177
EPS (□)	11.05	0
Dividend Payout %	0	0

Balance sheet (□Cr)

Line item	Mar 2025	Mar 2024
Equity Capital	25	18
Reserves	206	99
Borrowings	178	46
Long term Borrowings	139	27
Short term Borrowings	40	19
Other Borrowings	0	0
Other Liabilities	23	22
Non controlling int	9.77	9.65
Trade Payables	4.41	5
Advance from Customers	0.10	0
Other liability items	9.14	7.30
Total Liabilities	432	185
Fixed Assets	183	82
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	0
Investments	13	11
Other Assets	236	92
Trade receivables	56	32
Receivables over 6m	13.22	4.76
Receivables under 6m	42.30	27.29
Cash Equivalents	122	7
Loans n Advances	24	9
Other asset items	35	45
Total Assets	432	185

Cash flow statement (□Cr)

Line item	Mar 2025	Mar 2024
Cash from Operating Activity	45	11
Profit from operations	51	45
Receivables	-23	-8
Payables	3	-16
Loans Advances	-10	-8
Operating borrowings	21	-1
Other WC items	13	3
Working capital changes	3	-30
Direct taxes	-9	-5
Cash from Investing Activity	-235	-15
Fixed assets purchased	-114	-13
Fixed assets sold	0	2
Investments purchased	-2	-5
Investments sold	0	0
Interest received	4	1
Dividends received	0	0
Other investing items	-122	0
Cash from Financing Activity	193	-7
Proceeds from shares	86	0
Proceeds from borrowings	112	0
Repayment of borrowings	0	-2
Interest paid fin	-6	-5
Net Cash Flow	3	-11
Free Cash Flow	-69	0
CFO/OP	108	34

Key ratios

Line item	Mar 2025	Mar 2024
Debtor Days	113	87
Inventory Days	0	0
Days Payable	0	0
Cash Conversion Cycle	113	87
Working Capital Days	73	40
ROCE %	14	20

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	Notes detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; ₹23.46 Cr receivable spike prevents PAT-to-CFO conversion.	—	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%.	—	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.	—	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.	—	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.	—	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.	—	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.	—	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.	—	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.	—	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.	—	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.	—	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.	—	Note 11: Company is actively utilizing deferred tax assets to support current PAT levels.
13	RPT quantum and trend	Profit ↑↓ — governance risk; ₹54.64 Cr corporate guarantee provided to a promoter-held entity.	—	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.	—	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.	—	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.	—	Note 22: Divergence suggests potential under-provisioning to boost short-term PAT.

#	Check	Impact	Status	Notes detail
17	Subsidiary Transparency	Neutral — disclosure gap; reliance on unaudited financials for Singapore subsidiary in prior year.	—	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 | — | 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
1	Audit opinion clean?	—
2	Promoter pledge = 0?	—
3	KMP pay < 5% of PAT?	—
4	RPT quantum < 5% of revenue?	—
5	Board > 50% independent?	—
6	At least 1 woman director?	—
7	No statutory dues outstanding?	—
8	No fraud reported?	—
9	Audit trail enabled?	—
10	Frequent Auditor change	—

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.