

## Press Release

Arya Nautica Private Limited

September 07, 2018



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 87.00 Cr.
<b>Long Term Rating</b>	ACUITE BB / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB** (read as ACUITE double B) to the Rs. 87.00 crore bank facilities of Arya Nautica Private Limited (ANPL). The outlook is '**Stable**'.

The Mumbai-based, ANPL was incorporated in 2013 by Mr. Ravindra Kumar Arya and his son, Mr. Varun Arya. The company commenced its ship chartering operations in November 2017 with the acquisition of its first medium range tanker Dawn Shirdi. The tanker is presently deployed to a Dubai based entity for six months' time charter which is expected to end in September 2018. The company is part of Arya group which is also engaged in trading of iron & steel, ship breaking among others. The group owns a fleet of 7 medium range tankers with 31069 to 46801 Dead Weight Tonnage (DWT).

### Analytical Approach

Acuite has considered standalone business and financial risk profile of ANPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

- **Established track record of promoter's in tanker shipping industry:**

ANPL is a part of Mumbai based Arya Group which is promoted by Mr. Ravi Arya. The Arya group has a presence in Ship breaking, shipping and iron and steel trading industry through different entities. The promoter made its foray in the shipping industry by purchasing the group's first ship in 1975 for ship breaking. Arya group owns a fleet of 7 medium range tankers with 31069 to 46801 DWT of which 6 are sailing in Indian Ocean. Mr. Ravi Arya is supported by Mr. Varun Arya having over a decades experience in the industry. ANPL owns a medium range tanker vessel named Dawn Shirdi having DWT of 31,069 and is bearing Panama flag. The vessel is deployed on time charter to a Dubai based entity for 6 months ending September 2018. Going ahead, the company plans to deploy the vessel on time charter with Indian oil suppliers.

Acuité believes that ANPL will benefit from established track record of promoters in the industry and healthy demand for shipping tankers from domestic and overseas companies.

- **Moderate financial risk profile:**

ANPL's financial risk profile is moderate with continuous financial support from directors. The net worth of ANPL stood at Rs.37.15 crore as on 31 March, 2018 (Provisional) as against Rs.17.63 crore as on 31 March, 2017. This includes unsecured loans from Directors of Rs.32.07 crore as on 31 March, 2018 (Provisional) treated as quasi-equity as the management has committed to maintain in the business over the currency of the loan. The gearing stood at 1.98 times as on March 31, 2018 (Provisional). Further, the interest coverage ratio stood at 4.02 times as on March 31, 2018 (Provisional).

Acuité believes that the company will maintain moderate financial risk profile over medium term on the back of strong funding support from promoters.

## Weaknesses

- **Susceptibility of operating cashflows to cyclical in the shipping industry:**

ANPL's generates cashflows by chartering its vessel, Dawn Shirdi. The vessel has a capacity of 31,069 DWT and is bearing Panama flag. Generation of cashflows is completely dependent on optimal capacity utilisation and management's ability to place the ship at competitive prices. The freight rate for container vessels is generally linked to crude cycle. Generally, the crude exploration activity moves in tandem with crude prices and higher crude prices are associated with higher level of exploration. The Baltic indices (a barometer of shipping freight rates) have exhibited a volatile pattern in the past and the volatility is expected to continue in future.

Acuite believes that the company's ability to maintain a stable credit profile is dependent on the promoter's ability to place the ship at optimal utilisation at competitive rates so as to generate adequate cashflows commensurate with the debt servicing obligation.

## Outlook: Stable

Acuité believes that ANPL will maintain 'Stable' outlook over medium term on the back of established track record of promoters and strong funding support. The outlook may be revised to 'Positive' in case the company is able to place the ship at competitive prices and generate healthy cashflows resulting in healthy debt protection metrics. The outlook may be revised to 'Negative' in case of lower than expected capacity utilisation or lower realisations impacting its cashflows and debt servicing obligation.

## About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)
Operating Income	Rs. Cr.	5.67
EBITDA	Rs. Cr.	2.68
PAT	Rs. Cr.	0.48
EBITDA Margin	(%)	47.26
PAT Margin	(%)	8.38
ROCE	(%)	2.23
Total Debt/Tangible Net Worth	Times	1.98
PBDIT/Interest	Times	4.02
Total Debt/PBDIT	Times	19.16
Gross Current Assets (Days)	Days	1314

## Any other information

Not Applicable

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

## Rating History (Upto last three years)

Not Applicable

**\*Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Foreign Currency Term Loan	Not Applicable	Not Applicable	Not Applicable	73.44	ACUITE BB / Stable
Foreign Currency Loan	Not Applicable	Not Applicable	Not Applicable	12.80	ACUITE BB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.76	ACUITE BB / Stable

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**About Acuité Ratings & Research:**

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