

Press Release

Arya Tankers Private Limited

February 21, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 132.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) to the Rs. 132.00 crore bank facilities of Arya Tankers Private Limited (ATPL). The outlook is '**Stable**'.

Incorporated in 2013, ATPL is promoted by Mr. Ravi Kumar Arya. The company commenced its ship chartering operations in 2014 with the acquisition of two medium range tankers 'Dawn Mansarovar' (DWT-35,437) and Dawn Madurai (DWT-44,999) which are deployed to outside parties.

Analytical Approach

Acuité has considered standalone business and financial risk profile of ATPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of promoter group in shipping industry:**

ATPL is a part of Mumbai-based Ravi Arya Group, which is promoted by Mr. Ravi Arya. The Arya group has presence in Ship breaking, shipping and iron and steel trading industry through other group entities. The group 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. Mr. Ravi Arya is supported by Mr. Varun Arya having over a decades experience in the industry. ATPL owns two medium range tanker vessels named Dawn Mansarovar (DWT-35,437) and Dawn Madurai (DWT-44,999) bearing Indian flag. The vessels are currently deployed to Indian Oil Corporation Limited on time charter ending in FY2020.

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

- **Demonstrated track record of funds infusion by promoters:**

ATPL's has strong resource mobilisation ability marked by strong net worth of Rs.65.47 crore as on 31 March, 2018 as against Rs.48.20 crore as on 31 March, 2017. This includes inter corporate deposits from promoter group of Rs.32.02 crore as on March 31, 2018 as against Rs.4.77 crore as on March 31, 2017. The management has committed to maintain the same in the business over the tenure of loans.

Weaknesses

- **Limited cushion between debt servicing commitments and cash accruals:**

The company's operations were adversely impacted during FY2016-2018 on account of various reasons such as volatile freight rates and suboptimal capacity utilisation of tankers resulting in declined operating revenues and insufficient generation of accruals. The company had reported revenues of Rs.48.10 crore in FY2018 as against Rs.58.71 crore in FY2017 and Rs.60.61 crore in FY2016. This has resulted in limited cushion between accruals and debt service obligation as reflected in below average debt service coverage ratio (DSCR) of 0.44 times in FY2018 and 0.87 times in FY2017. The company has met its debt servicing obligations by infusion of funds through inter-corporate deposits. ATPL's vessels, 'Dawn Mansarovar' and 'Dawn Madurai', are currently on time charter with

Indian Oil Corporation Limited with the contracts expiring mid-2020, the future generation of accruals will depend of the freight levels at the time of expiry of these contracts and timely deployment entailing optimal utilisation of these shipping assets. Further, the vessel Dawn Mansarover is scheduled for dry docking in March 2020 and Dawn Madurai is scheduled for dry docking in June 2019. This is likely to further impact smooth generation of accruals which is likely to impinge upon the company's repayment ability.

• Inherent cyclical in the shipping business:

ATPL's generates cashflows by chartering its vessel, 'Dawn Mansarover' and 'Dawn Madurai'. 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 oil 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. Ships are long term assets with a useful life going upto 30 years. ATPL bids for tenders of government charterers, any change in sourcing terms such as limit on age of the vessel and rates i.e. fixed or floating by government charterers are likely to impact players like ATPL.

Acuité believes that the company's ability to maintain a 'Stable' credit profile is dependent on the promoters' ability to ensure optimal utilisation of the ships at competitive rates so as to generate adequate cash flows commensurate with the debt servicing obligations.

Liquidity Position:

ATPL has mismatches in the net cash accruals to service the debt obligation. However the promoters have demonstrated their ability to infuse funds year on year to support the operations.

Acuité believes that the resourcefulness of the promoters is likely to support the liquidity profile of the company in the near to medium term.

Outlook: Stable

Acuité believes that ATPL will maintain 'Stable' outlook over medium term on the back of experience of promoters and strong funding support from promoters. The outlook may be revised to 'Positive' in case the company is able to get its fleet on long term contracts at par with market trend resulting in higher than expected rental flow thereby improving the liquidity profile. The outlook may be revised to 'Negative' incase the company is unable to get charter contract for its fleet at the prevailing market rates resulting in lower than expected operating revenues.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	48.10	58.71	60.61
EBITDA	Rs. Cr.	18.97	28.01	33.58
PAT	Rs. Cr.	(9.98)	6.23	12.06
EBITDA Margin	(%)	39.45	47.71	55.41
PAT Margin	(%)	(20.75)	10.61	19.91
ROCE	(%)	0.23	9.36	22.70
Total Debt/Tangible Net Worth	Times	1.58	2.58	3.57
PBDIT/Interest	Times	1.48	2.82	3.59
Total Debt/PBDIT	Times	6.85	4.13	4.36
Gross Current Assets (Days)	Days	173	155	176

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
External commercial borrowings (ECBs)	Not Applicable	Not Applicable	Not Applicable	132.00	ACUITE BBB- / Stable

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About Acuité Ratings & Research:

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