

Press Release

Arya Voyagers Private Limited

May 13, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	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. 40.00 crore bank facilities of Arya Voyagers Private Limited (AVPL). The outlook is '**Stable**'.

Incorporated in 2012, AVPL is promoted by Mr. Ravi Kumar Arya. The company commenced its ship chartering operations in 2013 with the acquisition of two medium range tankers 'Dawn Haridwar' and 'Dawn Mathura'. Presently, the company operates through one medium range tanker 'Dawn Haridwar' which is deployed to outside parties.

Analytical Approach

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

Key Rating Drivers

Strengths

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

AVPL 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 4 medium range tankers with 31069 to 46801 DWT. Mr. Ravi Arya is supported by Mr. Varun Arya having over a decade experience in the industry. AVPL owns a medium range tanker vessel named 'Dawn Haridwar' (DWT- 35,024) bearing Indian flag. The vessel is currently deployed to Indian Oil Corporation Limited on time charter ending in FY2021. Acuité believes that AVPL 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:**

AVPL has strong resource mobilisation ability marked by strong net worth of Rs.55.84 crore as on 31 March, 2018. This includes inter corporate deposits and unsecured loans from promoter group of Rs.23.66 crore as on March 31, 2018. The management has infused additional funds of Rs.5.54 crore in 9MFY2019. 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.45.02 crore in FY2018 as against Rs.55.15 crore in FY2017 and Rs.62.40 crore in FY2016. Further, the company reported revenues of Rs.18.58 crore for the period April to December 2018. This has resulted in limited cushion between accruals and debt service obligations as reflected in below average debt service coverage ratio (DSCR) of 0.11 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 and unsecured loans by promoters.

AVPL's vessel 'Dawn Mathura', due to technical faults and higher capital expenditure requirements, was sold in FY2018. Presently, the operating profile of the company is dependent on freight receipts from

'Dawn Haridwar', which is currently on time charter with Indian Oil Corporation Limited with the contracts expiring mid-2021. The future generation of accruals will depend on the freight levels at the time of expiry of these contracts and timely deployment entailing optimal utilisation of these shipping assets. Further, the vessel is scheduled for dry docking in July 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:

AVPL generates cashflows by chartering its vessel, 'Dawn Haridwar'. 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.

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

Liquidity Position:

AVPL has mismatches in the net cash accruals to service the debt obligations. 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 AVPL will maintain 'Stable' outlook over medium term on the back of experience of promoters and strong funding support. The outlook may be revised to 'Positive' in case the company's business risk profile is strengthened by reduced dependence on single fleet and its ability to place it 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' in case of any headwinds faced in garnering timely funding support or in case of further increase in stress on the business and financial profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	45.02	55.15	62.40
EBITDA	Rs. Cr.	11.61	20.61	35.01
PAT	Rs. Cr.	(14.36)	3.15	15.35
EBITDA Margin	(%)	25.78	37.37	56.10
PAT Margin	(%)	(31.90)	5.71	24.60
ROCE	(%)	(5.97)	6.62	29.97
Total Debt/Tangible Net Worth	Times	1.22	0.86	1.34
PBDIT/Interest	Times	0.45	3.22	4.87
Total Debt/PBDIT	Times	24.40	3.19	2.47
Gross Current Assets (Days)	Days	143	154	77

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
Foreign Currency Term Loan	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE BB / Stable

Contacts

Analytical	Rating Desk
Vinayak Nayak Vice President – Rating Operations Tel: 022-49294071 vinayak.nayak@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294022 rating.desk@acuite.in
Leena Gupta Senior Rating Analyst - Rating Operations Tel: 022-49294061 leena.gupta@acuiteratings.in	

About Acuité Ratings & Research:

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