

Press Release

Arya Voyagers Private Limited

June 09, 2020



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its 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 basis ending as on August 2020. 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.

- **Moderate Financial risk profile**

AVPL's financial risk profile is moderate, marked by healthy networth, moderate gearing and debt protection metrics. AVPL's networth is healthy estimated at around Rs.46.17 crores as on 31 March, 2020 (Provisional) as compared to Rs.33.43 crore as on 31 March, 2019. This includes inter corporate deposits and unsecured loans from promoter group of Rs.34 crore as on March 31, 2020. The management has committed to maintain the same in the business over the tenure of loans. The company has moderate financial policy in the past, the same is reflected through its peak gearing of 1.72 times during last three years for period FY2018-FY2020. The gearing levels continue to improve at 0.74 times as on 31 March, 2020 (Provisional) as against 1.33 times as on 31 March, 2019. The NCA/TD and interest coverage ratio for FY 2020 (Provisional) were moderate at 0.33 times and 3.80 times, respectively.

AVPL's operations were adversely affected during FY2018-2019 due to technical faults and higher capital expenditure requirements for vessel 'Dawn Mathura'. Hence, it was sold in May, 2019. Further, the other issues were volatile freight and fuel rates and suboptimal capacity utilisation of tankers resulting in declined operating revenues and insufficient generation of accruals. The funds received from sale of vessel was used to repay the debt against that vessel. The operating margins improved after sale of Dawn Mathura vessel. The operating margins stood at 56.61 percent for FY2020 (Provisional) as against 22.54 percent for FY2019.

Weaknesses

• Modest Scale of operations:

The company's operating income lowered on account of sale of Dawn Mathura vessel in FY2019. The company had reported revenues of Rs.26.50 crore in FY2020 (Provisional) as against Rs.26.18 crore in FY2019 and Rs.45.02 crore 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 contract expiring in August 2020. 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.

• 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 utilization of the ship at competitive rates so as to generate adequate cash flows to commensurate with the debt servicing obligations.

Rating Sensitivities

- Improvement in liquidity position
- Substantial improvement in scale of operation, while maintaining its operating and profitability margins

Material Covenant

- Maintaining DSRA at Rs.2.43 crore as per sanction letter dated 31.3.2020.
- Loans from Directors and Relatives and unsecured loans will not be withdrawn during the tenure of the loan.

Liquidity Position: stretched

AVPL's liquidity position has slightly improved for FY2020 (Provisional) on account of reduction in operating cost on sale of Dawn Mathura vessel. The company generated net cash accruals of Rs.11.28 crore as against the debt obligation of Rs.9.15 crore as on 31 March, 2020 (Provisional) as compared to negative cash accruals of Rs.20.31 crore as against debt obligation of Rs.26.30 crore as on 31st March, 2019. Further, the company has availed 6 months moratorium as facilitated by RBI guidelines during Covid pandemic. This may provide some cushion between debt servicing commitments and cash accruals. 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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	26.18	45.02
PAT	Rs. Cr.	(26.15)	(14.36)
PAT Margin	(%)	(99.88)	(31.90)

Total Debt/Tangible Net Worth	Times	1.33	1.72
PBDIT/Interest	Times	(2.56)	0.45

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Services Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
13-May-2019	Term Loan	Long Term	40.00	ACUITE BB / Stable (Assigned)

*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	31-12-2015	Not Applicable	31-12-2021	40.00	ACUITE BB / Stable (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022 49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Disha Parmar Analyst - Rating Operations Tel: 022 49294054 disha.parmar@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as

Acuité Ratings & Research Limited

www.acuite.in

a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.