

Press Release

Arcadia Shipping Limited

August 27, 2021

Rating Downgraded



Total Bank Facilities Rated*	Rs.154.91 Cr.
Long Term Rating	ACUITE D (Downgraded)
Short Term Rating	ACUITE D (Downgraded)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded the long term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BB**' (read as **ACUITE BB plus**) and short term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.154.91 crore bank facilities of Arcadia Shipping Limited (ASL).

The downgrade is on account of delay in the servicing of term debt for more than 30 days from July 2021 due to liquidity mismatch. The liquidity mismatch is primarily due to losses incurred in FY2020 which have impacted the accruals.

The ratings continue to factor in promoter's long experience in the shipping industry and below average financial risk profile.

About the rated entity

ASL is a Mumbai based company incorporated in 1981. It owns and operates two dry bulk vessels viz. Navdhenu Sun and Navdhenu Purna with an aggregate capacity of 102,400 DWT. Navdhenu Sun was built in the year 2001 and has a capacity of 48,910 DWT while Navdhenu Purna was built in the year 2005 and has a capacity of 53490 DWT.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the ASL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established presence in the shipping industry**

Arcadia Shipping Limited (ASL) was incorporated in 1981 by Mr. Mukesh N Shah, (Chairman and Managing Director) who has an experience of over three decades in Shipping Industry and real estate. The board comprises of well qualified directors who are having experience of over three to four decades in the said industry. The company is currently managed by a team of professionals. ASL through its promoters' experience has been able to establish longstanding relation with Government entities such as Department of Fertilizers; Gol, KIOCL Limited to name a few along with some private players such as JSW, Steel Limited, Essar Group among others.

Acuite believes that ASL will continue to benefit from the promoter's established presence in the shipping industry and its improving business risk profile over the medium term.

Weaknesses

Delays in debt servicing

The downward revision in the rating reflects the delays in meeting their term debt obligations in the month of July 2021 as confirmed by the lenders. The recent feedback received from existing lender of company, confirming overdue in repayment of term loans beyond 30 days. The account is classified as SMA 1 currently. The company has faced short term challenges to maintain stable liquidity profile amidst of pandemic resulting in additional funds required to manage operations.

Below average financial risk profile

ASL has below average financial risk profile marked by moderate net worth, high gearing and moderate debt protection matrices. ASL's net worth stood at Rs.16.04 crores as on March 31, 2021 (prov.) as against Rs.14.92 crore as on March 31, 2020. The company has followed an aggressive financial policy, which is reflected through its gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 9.85 times and 10.41 times respectively as on March 31, 2021 (prov.). The interest coverage ratio and NCA/TD stood moderate at 2.41 times and 0.11 times for FY2021 (prov.). Acuite believes the financial risk profile to improve marginally over the medium term in absence of any major debt funded capex plan.

Rating Sensitivities

- Regularisation of overdue repayments, following improvement in liquidity profile of the company
- Further increase in debt level leading to deterioration of financial risk profile.

Material Covenants

None

Liquidity Position: Poor

The company has poor liquidity position due to losses incurred in FY2020 which had impacted the accruals and further capital of the company. In FY2021, the accruals stood at Rs.17.72 crore. Going ahead cash accruals are likely to be moderate against its maturing debt obligations. The company's working capital operation is moderate marked by gross current asset (GCA) of 121 days in FY2021 (prov.) as against 216 days in FY2020. The current ratio of the company stood weak at 0.71 times as on March 31, 2021 (prov.).

Outlook: Not Applicable

About the Rated Entity - Key Financials

	Unit	FY21 (Prov.)	FY20 (Actual)
Operating Income	Rs. Cr.	93.80	69.95
PAT	Rs. Cr.	1.12	(24.78)
PAT Margin	(%)	1.19	(35.43)
Total Debt/Tangible Net Worth	Times	9.85	10.60
PBDIT/Interest	Times	2.41	0.38

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

Not Applicable

Any other information

None.

Applicable Criteria

- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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
June 05, 2020	FCTL – 1*	Long Term	22.68	ACUITE BB/Stable (Assigned)
	FCTL – 2*	Long Term	38.62	ACUITE BB/Stable (Assigned)
	FCTL – 3*	Long Term	32.64	ACUITE BB/Stable (Assigned)
	Term Loan	Long Term	19.40	ACUITE BB/Stable (Assigned)
	FITL	Long Term	6.99	ACUITE BB/Stable (Assigned)
	Overdraft	Long Term	20.00	ACUITE BB/Stable (Assigned)
	CMTCC	Long Term	13.58	ACUITE BB/Stable (Assigned)
	Letter of Credit	Short Term	1.00	ACUITE A4+ (Assigned)

*at National Rate of 1 USD = Rs.71 INR

***Annexure – Details of instruments rated**

Name of the lender	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Union Bank of India	Term Loan	Not Available	Not Available	Not Available	19.31	ACUITE D (Downgrade)
	Term Loan	Not Available	Not Available	Not Available	37.13	ACUITE D (Downgrade)
	Term Loan	Not Available	Not Available	Not Available	21.75	ACUITE D (Downgrade)
	Term Loan	Not Available	Not Available	Not Available	31.35	ACUITE D (Downgrade)
	FITL	Not Available	Not Available	Not Available	5.78	ACUITE D (Downgrade)
	FITL	Not Available	Not Available	Not Available	1.08	ACUITE D (Downgrade)
	FITL	Not Available	Not Available	Not Available	0.26	ACUITE D (Downgrade)
	FITL	Not Available	Not Available	Not Available	0.24	ACUITE D (Downgrade)
	Overdraft	Not applicable	Not applicable	Not applicable	20.00	ACUITE D (Downgrade)
	CMTCC	Not Available	Not Available	Not Available	13.44	ACUITE D (Downgrade)
Not Applicable	Proposed Long Term Loan	Not applicable	Not applicable	Not applicable	3.57	ACUITE D (Downgrade)

Contacts

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About Acuité Ratings & Research:

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