



## Press Release

### Arya Tankers Pvt Ltd (ATPL)

April 28, 2020

#### Ratings

| Sl. No. | Instrument/Facility                                                     | Amount (Rs. Crore) | Rating Assigned                                                    |
|---------|-------------------------------------------------------------------------|--------------------|--------------------------------------------------------------------|
| 1       | Long Term Fund Based Bank Facilities – Foreign Currency Term Loan (ECB) | 40.00              | IVR BBB- / Stable Outlook (IVR Triple B Minus with Stable Outlook) |
|         | <b>Total</b>                                                            | <b>40.00</b>       |                                                                    |

Details of Facilities are in Annexure 1

#### Rating Rationale

The assigned rating derives strength from an extensive experience of the promoters, revenue visibility as contract for two vessels out of three has renewed recently, reversal of declining EBITDA trend and healthy demand prospects for shipping tankers. However, these strengths are partially offset by weak Debt protection metrics, capital intensive nature of operations along with moderate financial risk profile and cyclical nature in the shipping business.

#### Key Rating Sensitivities

##### Upward Factor

- Significant growth in revenues and profitability, improvement in the capital structure and adequate liquidity in the medium term.

##### Downward Factor

- Any decline in operating revenues, profitability and/or liquidity position.
- Any significant debt funded capex for new vessel acquisitions leading to substantial deterioration in debt protection metrics.



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### Detailed Description of Key Rating Drivers

#### Key Rating Strengths

##### ***Experienced promoters with an established track record in shipping industry:***

Arya Group is promoted by Mr. Ravi Arya and family. Mr. Ravi Arya has over four decades of experience of the shipping industry. The promoters through its group companies are involved in ship breaking, shipping (owning and chartering of vessels), steel manufacturing and trading. The promoters entered in the shipping industry by purchasing the first ship in 1975 for ship breaking. Mr. Ravi Arya is supported by his sons Mr. Varun Arya and Mr. Nakul Arya having over a decade experience in the industry.

##### ***Revenue visibility as contract for two vessels out of three has renewed recently:***

At present, the group owns three vessels 'Dawn Mansarovar', 'Dawn Madurai' and 'Dawn Haridwar'. These vessels are currently deployed to Indian Oil Corporation Limited on time charter ending in Sep 2022, Nov 2021 and Aug 2020 respectively. The agreements for two vessels were renewed recently in Sep and Nov 2019 respectively with higher freight rates and the renewal for one vessel is due in Aug 2020; where the management expects to get this renewed at higher rates. Accordingly, the management expects to generate more cash inflows from current financial year.

##### ***Reversal of declining EBITDA trend:***

EBITDA margin stood at 39.38% during FY19 vs. 29.86% in FY18. The expenses pertaining to repair/maintenance, technical management, consumables and crew are paid by the group. In FY17, the group outsourced its crew management which led to more than expected expenses for the group. Also, due to that, the expenses related to consumable increased for FY17 and FY18. From FY19, the group has formed a new company and started the crew management through that which has resulted in lower expenses. EBITDA margins declined in FY17 and FY18 to 42.71% and 29.86% respectively from 55.75% in FY16 and improved to 39.38% in FY19 and 59.12% as per FY20 Provisional results.



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### ***Healthy demand prospects for shipping tankers:***

Indian government's plans towards increasing oil refineries in India will lead to increase in demand for shipping tankers.

### **Key Rating Weaknesses**

#### ***Weak Debt protection metrics:***

During last three fiscals, the cash accruals of the group were not sufficient to meet its debt obligations. The group managed to meet its debt servicing obligations by infusing funds through inter-corporate deposits and unsecured loans from the promoters. An ability of the group to keep up a steady credit profile is subject to the promoters' ability to ensure optimal utilisation of the ships at competitive rates in order to generate sufficient cash inflows in line with the debt servicing obligations. Infomerics expects that the debt protection metrics are likely to improve in FY21 due to higher cash inflows generation due to improved EBITDA.

#### ***Capital Intensive nature of operations along with moderate financial risk profile:***

The group operates a fleet of vessels and its operations are marked by large capital requirements. The overall gearing was at 1.16x in FY19 and TOL/ANW was at 1.21x in FY19. Any further debt funded capex without any clarity on charter rates and improvement in demand scenario will be key monitorable.

#### ***Cyclical nature in the shipping business:***

The group generates revenues by chartering its vessels. These revenues are completely based on optimal capacity utilisation and management's ability to place the ship at competitive rates. The shipping freight rates have been volatile in the past and may continue to be in future. Ships are long term assets with a useful average life going upto 30 years. Any change in sourcing terms such as limit on age of the vessel and rates by government charterers are likely to impact the group's business.

#### **Analytical Approach:**

Consolidated: For arriving at the ratings, Infomerics has taken the consolidated approach by combining the financial results of Arya Tankers Private Limited (ATPL) and Arya Voyagers Private Limited (AVPL), collectively referred to as the Arya group, as the



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companies are in same line of business having common management, cross holding and being a co-borrower in some of the debts taken from lending institutions.

### **Applicable Criteria:**

Rating methodology for Service Sector Companies.

Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity: Stretched**

The cash accruals of the group are not sufficient to service the debt obligations. However, the promoters have demonstrated their ability to infuse funds year on year to support the operations. The resourcefulness of the promoters is likely to support the liquidity profile of the company in the near to medium term. The GCA was negative in FY19. However, the same improved to Rs. 37.27 Crs in FY20 provisional results. The liquidity is expected to improve in FY21 due to improvement in EBITDA.

### **About the Group**

The Arya group along with its associated concern is involved into various activities which encompass Ship breaking, shipping (owning and chartering of vessels), steel manufacturing and trading through other group entities. The promoters entered in the shipping industry by purchasing the group's first ship in 1975 for ship breaking. The promoters through its group companies owns and operates a 1.2 Million MT / Annum Iron Ore Pellet Plant. Arya group and its associates owns 6-7 medium range tankers. The Arya Group is promoted by Mr. Ravi Arya and family.

Arya Tankers Private Limited (ATPL) was incorporated in 2013. The company is into business of ship chartering. The company commenced its operations in 2014 by acquiring two medium range tankers 'Dawn Mansarovar' (DWT - 35,437) and 'Dawn Madurai' (DWT - 44,999).

Arya Voyagers Private Limited (AVPL) was incorporated in 2012. The company is into business of ship chartering. The company commenced its operations in 2013 by acquiring two medium range tankers 'Dawn Haridwar' and 'Dawn Mathura'. Presently, the company operates through one medium range tanker 'Dawn Haridwar'.



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### Financials (Consolidated)

(Rs. crore)

| For the year ended* / As On | 31-03-2018<br>(Audited) | 31-03-2019<br>(Audited) |
|-----------------------------|-------------------------|-------------------------|
| Total Operating Income      | 89.15                   | 80.27                   |
| EBITDA                      | 26.62                   | 31.61                   |
| PAT                         | -24.34                  | -24.77                  |
| Total Debt                  | 168.64                  | 123.18                  |
| Tangible Networkth          | 65.46                   | 40.69                   |
| <b>Ratios</b>               |                         |                         |
| EBITDA Margin (%)           | 29.86                   | 39.38                   |
| PAT Margin (%)              | Negative                | Negative                |
| Overall Gearing Ratio (x)   | 1.36                    | 1.16                    |

\*Classification as per Infomerics' standards

### Financials (Standalone) of ATPL

(Rs. crore)

| For the year ended* / As On | 31-03-2018<br>(Audited) | 31-03-2019<br>(Audited) |
|-----------------------------|-------------------------|-------------------------|
| Total Operating Income      | 46.09                   | 55.14                   |
| EBITDA                      | 16.97                   | 26.76                   |
| PAT                         | -9.98                   | 1.38                    |
| Total Debt                  | 100.61                  | 79.94                   |
| Tangible Networkth          | 33.45                   | 34.83                   |
| <b>Ratios</b>               |                         |                         |
| EBITDA Margin (%)           | 36.82                   | 48.53                   |
| PAT Margin (%)              | Negative                | 2.48                    |
| Overall Gearing Ratio (x)   | 1.47                    | 1.11                    |

\*Classification as per Infomerics' standards



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**Status of non-cooperation with previous CRA:** CRISIL vide its press release dated March 28, 2019 has informed that CRISIL has migrated the rating on bank facilities of ATPL to 'Issuer not cooperating' category.

**Any other information:** N.A.

### Rating History for last three years:

| Sl. No. | Name of Instrument/<br>Facilities                                       | Current Rating (Year 2020-21) |                    |                           | Rating History for the past 3 years     |                                         |                                         |
|---------|-------------------------------------------------------------------------|-------------------------------|--------------------|---------------------------|-----------------------------------------|-----------------------------------------|-----------------------------------------|
|         |                                                                         | Type                          | Amount (Rs. Crore) | Rating                    | Date(s) & Rating(s) assigned in 2019-20 | Date(s) & Rating(s) assigned in 2018-19 | Date(s) & Rating(s) assigned in 2017-18 |
| 1       | Long Term Fund Based Bank Facilities – Foreign Currency Term Loan (ECB) | Long Term                     | 40.00              | IVR BBB- / Stable Outlook | --                                      | --                                      | --                                      |

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

| Name of Facility                                                        | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook  |
|-------------------------------------------------------------------------|------------------|------------------|---------------|------------------------------|---------------------------|
| Long Term Fund Based Bank Facilities – Foreign Currency Term Loan (ECB) | --               | --               | May 2021      | 40.00                        | IVR BBB- / Stable Outlook |



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### Annexure 2: Entities considered for consolidated analysis

| Name of the company   | Consolidation Approach |
|-----------------------|------------------------|
| Arya Tankers Pvt Ltd  | Full Consolidation     |
| Arya Voyagers Pvt Ltd | Full Consolidation     |

