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Arya Tankers Private Limited (ATPL)

August 03, 2022

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Proposed Term Loan	81.90	IVR BBB/Stable (IVR Triple B; Outlook: Stable)	Assigned	Simple
Long Term Fund Based Bank Facilities – Foreign Currency Term Loan	0.00 (Previously 11.95)	-	Withdrawn*	Simple
Total	81.90 (Rupees Eighty One Crore and Ninety Lakh Only)			

*The FCTL has been fully repaid.

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the rating assigned to the bank facilities of ATPL takes into account the Arya Group's [ATPL with Arya Voyagers Private Limited (AVPL), together referred to as the Arya Group] repayment of the bank term loans against the existing vessels thereby leading to debt-free operations of those existing vessels, renewal of existing contracts and new contracts entered into coupled with plans to add new vessels, thereby depicting medium-to-long-term revenue visibility. The rating, further, also takes into account the debt-funded expansion project for procurement of a new vessel.

The rating, further, continues to derive strengths from experienced promoters with an established track record in shipping industry, improving profit margins, comfortable debt coverage indicators, and healthy demand prospects for shipping tankers.

The rating, however, continues to be constrained by capital intensive nature of operations albeit moderate financial risk profile, and cyclicity in the shipping business.



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Key Rating Sensitivities:

Upward Factors

- Significant & sustained growth in revenues while maintaining the profitability & capital structure on a consolidated basis.

Downward Factors

- Any decline in revenues, profitability or liquidity position.
- Any significant un-envisaged debt-funded CAPEX for new vessel procurement leading to significant deterioration in the debt coverage indicators.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters with an established track record in shipping industry**

Arya Group is promoted by Mr. Ravi Arya & family. Mr. Ravi Arya has more than 4 decades of experience in the shipping industry. The promoters, through their group companies, are involved in shipbreaking, shipping (owning & chartering of vessels), and steel manufacturing & trading. The promoters made their foray in the shipping industry by purchasing the first ship in 1975 for shipbreaking. On the other hand, Mr. Varun Arya, the Managing Director, possesses more than a decade of experience in the aforementioned industries.

- **Revenue visibility due to timely renewal of contract for the vessels**

Currently, Arya Group owns & operates 3 vessels viz. Dawn Mansarovar, Dawn Madurai and Dawn Haridwar. All the 3 vessels are currently deployed to Indian Oil Corporation Limited (IOCL) on time charter ending in July 2024, November 2023 and September 2022 respectively, wherein Dawn Mansarovar and Dawn Madurai are deployed in ATPL and Dawn Haridwar is deployed in AVPL. The contract for Dawn Madurai was renewed in November 2023, whereas the contract for Dawn Haridwar came to an end in April 2022, post which it was deployed in place of Dawn Mansarovar in May 2022 on a time charter basis. In this regard, the contract terms for Dawn Mansarovar with regard to rates as well as tenure are now applicable to Dawn Haridwar. This arrangement was made by the Group since Dawn Mansarovar went for dry-docking, whereas the contract for Dawn Haridwar had already come to an end. However, later on, Dawn Mansarovar was deployed on a voyage charter after being



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back from dry-docking, whereas after the completion of the voyage, it has now been awarded a new time charter contract by IOCL for a period ranging from July 2022 to July 2024 at the highest rate among all the ongoing contracts as on date. The total operating income of Arya Group increased to Rs.95.31 crore in FY22 (Prov.) from Rs.93.82 crore in FY21 owing to increase in the overall rates.

- **Improving profit margins**

The EBITDA margin of Arya Group improved marginally to 48.89% in FY22 from 46.17% in FY21 owing to decrease in power & fuel costs and spares & consumables expenses owing to fluctuating consumption and rates thereof. Moreover, the port charges also decreased in FY22 over FY21. Given the improvement in the EBITDA margin, the PAT margin also improved to 20.98% in FY22 from 16.33% in FY21.

- **Comfortable debt coverage indicators**

Given the decrease in debt levels coupled with improvement in profitability, the debt coverage indicators improved with the total debt/GCA, interest coverage and DSCR having improved to 1.46 times, 5.58 times and 1.24 times respectively in FY22 from 2.04 times, 4.11 times 0.95 times respectively in FY21.

- **Healthy demand prospects for shipping tankers**

The Indian government's plans towards increasing oil refineries in India will lead to increase in demand for shipping tankers. Moreover, the Indian oil marketing companies (OMCs) have higher demand for second-hand vessels, since they do not have any restriction on the ageing of the vessels. This leads to relatively cheaper investment by the shipping players like Arya Group, and cheaper rates for the OMCs like IOCL to avail those vessels on a time charter basis.

Key Rating Weaknesses

- **Debt-funded expansion project for procurement of a new vessel**

Arya Group is planning to buy a new vessel at around Rs.100.00 crore in ATPL, major part of which is proposed to be funded by way of bank term loan and the balance in the form of



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promoters' contributions. In this regard, the company has not yet incurred any cost towards the same, since it is awaiting bank sanction. However, timely sanction of the bank term loan shall remain critical.

- **Capital intensive nature of operations albeit moderate financial risk profile**

Arya Group operates a fleet of vessels, hence its operations are marked by large capital requirements. The Group needs to resort to high amount of CAPEX in the beginning majorly funded by debt, in order to reap the benefits of higher revenues and economies of scale. However, the capital structure of Arya Group stood comfortable with an overall gearing of 0.49 times as on March 31, 2022 as against 0.55 times as on March 31, 2021. Moreover, the same improved in FY22 over FY21 owing to repayment of term loans as well as accretion of profits.

- **Cyclicality in the shipping business**

Arya Group generates revenues by chartering its vessels. These revenues are completely based on optimal capacity utilization and management's ability to place the vessel at competitive rates. The shipping freight rates have been volatile in the past and may continue to be in the future. These vessels are long-term assets with a useful life of up to 30 years. Any change in sourcing terms such as limit on the age of the vessel and rates by the 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 ATPL and AVPL, collectively referred to as the Arya group, since the companies are engaged in the same line of business having common management, intercompany shareholding, business synergies in the form of having a common customer, and being a co-borrower in some of the debts taken from the lending institutions.

Applicable Criteria:

[Rating Methodology for Service Sector Entities](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning Rating Outlook](#)



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Liquidity – Adequate

The liquidity position of Arya Group stood adequate marked by healthy gross cash accruals vis-à-vis moderate debt repayment obligations, working capital efficiency and moderate free cash & bank balance. The gross cash accruals are expected to be in the range of Rs.40-43 crore over FY23-FY25 as against debt repayment obligations ranging from Rs.3-12 crore over the same period. Moreover, the operations of the group are working capital efficient in nature with the collection period ranging from 15-30 days and the inventory holding ranging from 10-15 days, thereby leading to lean operating cycle. Given the working capital efficiency, the group is not dependent on any working capital facilities. Moreover, the free cash & bank balance stood moderate at Rs.3.43 crore as on March 31, 2022 as against Rs.1.18 crore as on March 31, 2021.

About the Company

ATPL was incorporated in 2013. The company is into the business of owning & chartering of vessels. The company commenced its operations in 2014 by acquiring two medium-range tankers 'Dawn Mansarovar' and 'Dawn Madurai'.

About the Group

Arya Group, along with its associated concerns, is involved into various activities encompassing shipbreaking, shipping (owning & chartering of vessels), and steel manufacturing & trading through other group entities. The promoters entered into the shipping industry by procuring the group's first ship in 1975 for shipbreaking. Arya Group and its associates own 6-7 medium-range tankers. The group is promoted by Mr. Ravi Arya & family.

AVPL was incorporated in 2012. The company is into business of owning & chartering of vessels. The company commenced its operations in 2013 by acquiring two medium-range tankers 'Dawn Haridwar' and 'Dawn Mathura'. Currently, 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-Mar-2021 (Audited)	31-Mar-2022 (Provisional)
Total Operating Income	93.84	95.31
EBITDA	43.33	46.60
PAT	15.43	20.08
Total Debt	67.48	56.13
Tangible Net worth	121.96	114.20
EBITDA Margin (%)	46.17	48.89
PAT Margin (%)	16.33	20.98
Overall Gearing Ratio (times)	0.55	0.49

*Classification as per Infomerics standards

Financials (Standalone - ATPL):

(Rs. Crore)

For the year ended / As on	31-Mar-2021 (Audited)	31-Mar-2022 (Provisional)
Total Operating Income	61.28	63.56
EBITDA	31.32	34.24
PAT	13.41	14.24
Total Debt	36.71	32.23
Tangible Net worth	83.41	76.71
EBITDA Margin (%)	51.11	53.87
PAT Margin (%)	21.75	22.35
Overall Gearing Ratio (times)	0.44	0.42

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (July 19, 2021)	Date(s) & Rating(s) assigned in 2020-21 (April 28, 2020)	Date(s) & Rating(s) assigned in 2019-20 ()
1.	Foreign Currency Term Loan	Long Term	0.00 (Previously 11.95)	-	IVR BBB-/ Positive	IVR BBB-/ Stable	-
2.	Proposed Term Loan	Long Term	81.90	IVR BBB/ Stable	-	-	-



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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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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 – Proposed Term Loan	NA	NA	Not decided	81.90	IVR BBB/Stable

Annexure 2: List of companies considered for consolidated analysis

Name of the Company	Consolidated Approach
Arya Tankers Private Limited (ATPL)	Full
Arya Voyagers Private Limited (AVPL)	Full

**Intercompany transaction has been adjusted as per Infomerics standard.*

Annexure 3: Facility wise lender details: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.