



Press Release

Arya Tankers Private Limited (ATPL)

February 1, 2024

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities – Term Loan	81.90	IVR BBB+/Stable	Upgraded and removed from Issuer not cooperating category	Simple
Enhanced Long Term Bank Facilities – Term Loan	53.10	IVR BBB+/Stable	Assigned	Simple
Long Term Fund Based Bank Facilities- Mark To Market	31.50	IVR BBB+/Stable	Assigned	Simple
Long Term Facilities – Loan Against Property	16.90*	IVR BBB+/Stable	Upgraded and removed from Issuer not cooperating category	Simple
Enhanced Long Term Facilities - Loan Against Property	28.70	IVR BBB+/Stable	Assigned	Simple
Total	212.10	Rupees Two Hundred and Twelve crore and Ten lakhs only.		

Details of Facilities are in Annexure 1

**This facility was earlier rated by Infomerics for Arya Voyagers Private Limited, which is now amalgamated with Arya Tankers Private Limited.*

Detailed Rationale



Press Release

The rating assigned to the above-mentioned bank facilities of ATPL continues to derive strength from its experienced promoters, healthy demand for vessels on charter basis, comfortable debt protection metrics. However, risks associated with capital intensive nature of operations, client concentration risk, cyclicity in the shipping industry are some of the rating constraints.

Key Rating Sensitivities

Upward Factors

- Sustained increase in scale of operation with improvement in cash accruals.
- Improvement in profitability on sustained basis.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators on a sustained basis.
- Withdrawal of subordinated unsecured loan (treated as quasi-equity) either partially or fully, leading to moderation in the capital structure.
- Any un-envisaged incremental debt funded capital expenditure leading to a deterioration in its overall gearing ratio.
- Non-renewal of time charter agreement with IOCL.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with 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. Mr. Ravi Arya is supported by his sons - Mr. Varun Arya and Mr. Nakul Arya, having more than a decade of experience in the industries.



Press Release

Healthy demand prospects for vessels on charter basis

There is a healthy demand of vessels due to shortage of vessels to cater to the requirement of oil refineries. Also, with the discoveries of new oil and natural gas blocks demand for the vessels is expected to increase in short to medium term. ATPL identified this business opportunities and undertaken capex for purchasing new vessel. ATPL is getting better time charter rates for their old vessels as well as for new vessel which will result in improved profit margins.

Comfortable debt protection metrics

The financial risk profile of the company is marked by adequate capital structure and debt protection metrics. ATPL's TOL/TNW net adjusted stood at 0.46x as on March 31, 2023, (0.61x as on March 31, 2022) due to increase in Adjusted tangible net worth. Further, overall gearing net adjusted stood at 0.27x as on March 31, 2023, (0.30x as on March 31, 2022). The promoters have been regularly infusing funds by way of unsecured loans which are subordinated to the bank debt, which keeps the net worth (net adjusted) at comfortable levels. The debt protection metrics also remained comfortable with Interest coverage ratio of 4.48x in FY23 (2.48x in FY22) due to reduction in Finance cost in FY23. Total debt to GCA Stood at 1.29x as on March 31, 2023, (1.46x as on March 31, 2022). Due to Decrease in the total Debt.

Key Rating Weaknesses

Capital intensive nature of operations.

Arya Group operates a fleet of vessels; hence its operations are marked by large capital requirements. The Group needs to resort to the high amount of CAPEX in the beginning, majorly funded by debt, to reap the benefits of higher revenues and economies of scale. However, the capital structure of ATPL stood comfortable with an overall gearing of 0.27 times as on March 31, 2023, as against 0.30 times as on March 31, 2022.

Cyclicality in the shipping industry



Press Release

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.

Client concentration risk

ATPL is having total 4 vessels and out of that, three Vessels are given to IOCL. ATPL is dealing with IOCL for more than 10 years and around 5 times renewal of agreements has taken place. Though agreements get renewed repeatedly but there is concentration risk always involved in it. And the industry to which ATPL is catering itself is very concentrated industry because there are very few players operating in that industry. So, concentration risk will always be there in the business. However, ATPL's long term relation with IOCL and continuous renewal of agreement will help ATPL to sustain in the business and achieve the projected profitability.

Analytical Approach: Standalone

Applicable Criteria:

[Policy on Default Recognition](#)

[Criteria of assigning Rating outlook](#)

[Rating Methodology for Service Sector Companies](#)

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

LIQUIDITY: ADEQUATE

ATPL's liquidity position remained adequate marked by current ratio of 1.74x as on March 31, 2023 (0.66x as March 31, 2022). ATPL's gross cash accruals stood at Rs. 35.85 crore in FY23 (Rs. 33.97 crore in FY22) due to increase in PAT absolute. ATPL's



Press Release

GCA in future tenor is expected to remain in the range of Rs. 76.66 crore – 127.09 crores as against the debt repayment obligation of Rs. 13.29 crore – 44.19 crore. The company's cash accruals are sufficient to meet its repayments in FY24-26. ATPL's projected average DSCR Stood at 3.75x.

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'. ATPL is involved into shipping (owning & chartering of vessels). ATPL owns 4 medium-range vessels. The group is promoted by Mr. Ravi Arya & family.

Financials (Standalone):

(Rs. crore)		
For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	95.29	111.72
EBITDA	24.30	23.50
PAT	15.62	20.38
Total Debt	110.26	91.97
Tangible Net worth (Net Adjusted)	163.39	169.00
Ratios		
EBITDA Margin (%)	25.50	21.03
PAT Margin (%)	13.59	15.72
Overall Gearing Ratio (x) (Net Adjusted)	0.30	0.27

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information:

Amalgamation

Amalgamation has taken place in Arya tankers private limited (ATPL). Two of its group company Arya Voyagers Private Limited (AVPL) (Currently rating withdrawn by Infomerics, previously rated IVR BBB/Stable) and Indian Ocean Shipping Private



Press Release

Limited (ISPL) have been amalgamated with Arya tankers Private Limited with effect from 1st April 2021. NCLT approved the Scheme of amalgamation with NCLT order dated May 16, 2023,

Rating History for last three years:

Sr · N o.	Name of Instrument /Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amou nt outsta nding (Rs. crore)	Rating	Date(s) & Rating(s) assigne d in 2023-24 (Oct 30, 2023)	Date(s) & Rating(s) assigne d in 2022-23 (Aug 3, 2022)	Date(s) & Rating(s) assigne d in 2021-22 (July 19, 2021)
1	Long Term Bank Facilities – Term Loan	Long Term	81.90	IVR BBB+/Stab le	IVR BB+/Ne gative (INC)	IVR BBB/Sta ble	IVR BBB- /Positive
2	Enhanced Long Term Bank Facilities – Term Loan	Long Term	53.10	IVR BBB+/Stab le	-	-	-
3	Long Term Fund Based Bank Facilities- Mark To Market	Long Term	31.50	IVR BBB+/Stab le	-	-	-
4	Long Term Facilities – Loan Against Property	Long Term	16.90	IVR BBB+/Stab le	IVR BB+/Ne gative (INC)	IVR BBB/Sta ble	IVR BBB- /Positive
5	Enhanced Long Term Facilities - Loan	Long Term	28.70	IVR BBB+/Stab le	-	-	-



Press Release

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (Oct 30, 2023)	Date(s) & Rating(s) assigned in 2022-23 (Aug 3, 2022)	Date(s) & Rating(s) assigned in 2021-22 (July 19, 2021)
	Against Property						

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com



Press Release

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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
Term loan	-	-	2029	81.90	IVR BBB+/Stable
Enhanced Term Loan	-	-	2029	53.10	IVR BBB+/Stable
Mark To Market	-	-	-	31.50	IVR BBB+/Stable
Loan Against Property	-	-	2037	16.90	IVR BBB+/Stable
Enhanced Loan Against Property	-	-	2034	28.70	IVR BBB+/Stable

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-ATPL-1feb24.pdf>

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



Press Release

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.