



Press Release

Arya Tankers Private Limited [ATPL]

July 19, 2021

Ratings

Sl. No.	Instrument / Facility	Amount (INR Crore)	Current Ratings	Rating Action
1	Long Term Fund Based Bank Facilities– Foreign Currency Term Loan (ECB)	11.95 (Reduced from INR40.00)	IVR BBB-/Positive Outlook (IVR Triple B Minus with Positive Outlook)	Rating Reaffirmed; Outlook revised to Positive
	Total	11.95		

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of rating to the bank facilities of Arya Tankers Private Limited (ATPL) continues to derive comfort from an extensive experience of the promoters, revenue visibility, Improving EBITDA trend, moderate Debt protection metrics and healthy demand prospects for shipping tankers. However, these strengths are partially offset by capital intensive nature of operations and cyclicity in the shipping business.

The revision in the outlook to positive reflects improvement in overall financial performance of the company in FY21 (Provisional).

Key Rating Sensitivities:

Upward Rating Factor

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

Downward Rating 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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Key Rating Drivers with detailed description

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 made its foray 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 due to timely renewal of contract for the vessels:

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 Sep 2022 respectively. The agreements for Dawn Haridwar vessels were renewed recently in Sep -2020 with higher freight. Accordingly, the management expects to generate more cash inflows from current financial year.

Improving EBITDA trend:

EBITDA margin stood at 52.54% in FY21 provisional as against 42.28% during FY20. 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 has improved from FY18 onwards. Timely chartering of the vessels at higher rate is also attributing in EBITDA margin improvement.

Moderate Debt protection metrics:

The GCA of the group has improved substantially in FY 20 & FY21 after remained muted in FY18 & FY19. ICR improved to 5.18x in FY21 Provisional (FY20: 2.72x). Infomerics expects that the debt protection metrics are likely to improve further in FY22 onwards due to scheduled repayment of term loan.



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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

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 0.57x in FY21(FY20:0.74x: FY19: 1.25x) and TOL/ANW was at 0.67x in FY21 (0.85x). Any further debt funded capex without any clarity on charter rates and improvement in demand scenario will be key monitorable.

Cyclicality 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 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 Approach: 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 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)



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Liquidity: Adequate

The projected cash accruals of the group are comfortably matching to service the debt obligations. If required, 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 liquidity is further expected to improve in FY22 & beyond due to scheduled repayment of the debt.

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 own and operates a 1.2 Million MT / Annum Iron Ore Pellet Plant. Arya group and its associates own 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)

(INR Crore)

For the year ended/ As On*	31-03-2020 (Audited)	31-03-2021 (Provisional)
Total Operating Income	77.37	95.89
EBITDA	32.71	50.38
PAT	2.06	18.99
Total Debt	91.63	70.64
Tangible Net-worth	42.73	61.73
EBITDA Margin (%)	42.28	52.54
PAT Margin (%)	2.64	19.78
Overall Gearing Ratio (x)	0.74	0.57

** Classification as per Infomerics' standards*

Financials (Standalone) of ATPL

(Rs. crore)

For the year ended/ As On*	31-03-2020 (Audited)	31-03-2021 (Provisional)
Total Operating Income	51.06	63.30
EBITDA	22.61	34.64
PAT	1.30	12.91
Total Debt	56.27	38.67
Tangible Net-worth	36.10	49.04
EBITDA Margin (%)	44.27	54.72
PAT Margin (%)	2.52	20.39
Overall Gearing Ratio (x)	0.68	0.48

** Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA:

Crisil vide its press release dated June 15, 2020 has continued to classify the case under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: N.A



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Rating History for last three years:

Sl. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount Outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (April 28, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Bank Facilities– Foreign Currency Term Loan (ECB)	Long Term	11.95	IVR BBB-/Positive Outlook	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.

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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.



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Annexure 1: Details of Facilities

Name of Facility	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities– Foreign Currency Term Loan (ECB)	11.95	NA	NA	Nov-2021	IVR BBB-; Positive Outlook

Annexure II: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Arya-Tankers-19july21.pdf>