



September 22, 2010

ICRA assigns the LBB and A4 ratings to the bank facilities of Arya Ship Breaking Corporation; assigns stable outlook

ICRA has assigned the LBB (pronounced L double B) rating to the long-term fund-based limit# of Rs. 35.0 crore¹ of Arya Ship Breaking Corporation (ASBC)[†]. ICRA has assigned Stable outlook to the long term rating. ICRA has also assigned the A4 (pronounced A four) rating to the short term non-fund based limit* of Rs. 95.0 crore of ASBC.

The assigned ratings factor in the competitive nature of industry and susceptibility to adverse movements in commodity prices and exchange rates. The ratings are further constrained by the decline in the Operating margin on account of lower average sales price of steel items; significantly high level of indebtedness and gearing; poor coverage and leverage ratios and high net working capital intensity of the firm. However; the ratings are supported by Arya group's established track record in the business of steel trading business and ship-breaking; operational comfort derived from ownership of a ship breaking yard at Alang in Gujarat and significant growth in the firm's revenue coupled with increase in net profit margin in FY10.

Company Profile

Arya Ship Breaking Corporation (ASBC) is a partnership firm formed in the year 1999 by the promoters of Arya group; Mr. Pawan Arya and Mrs. Shushma Arya as its partners. The firm is engaged in trading of steel products and ship breaking activities. ASBC owns a ship breaking yard at Alang in Gujarat.

Arya group commenced its business with the establishment of a trading unit in 1950. The main promoters of the group are two brothers; Mr. Pawan kumar Arya and Mr. Ravindrakumar Arya. Over a period, the group expanded into various related businesses which encompass ship-breaking, steel trading, ship-broking, pelletization and beneficiation of iron-ore. The other partnership firms/companies of the group which are involved in the business of ship breaking and steel trading are M/s Goyal Traders {rated LBB- (stable)/A4 by ICRA} and Arya Ship Breaking Company Private Limited (ASBCPL) {rated LBB+ (stable)/A4+ by ICRA}. Entities which are into the business of trading of steel items are M.P.Recycling Company Private Limited (MPR) {rated LBB- (stable)/A4 by ICRA} and N.T.Recycling Company Private Limited {rated LBB- (Stable)/A4 by ICRA}. Argo Systems FZE {rated LBB- (Stable)/A4 by ICRA} which is a wholly owned subsidiary of MPR is into the business of ship-broking. Besides, there are two group companies involved in processing of iron-ore namely 'International Mineral Trading Company Private Limited' {rated LBB-(stable)/A4 by ICRA} which is in the process of setting up a iron-ore beneficiation plant in Barbil (Orissa) and Arya Iron & Steel Company Private Limited {rated LBBB- (Stable)/A3 by ICRA} which is operating a pelletisation plant in Barbil (Orissa). While assigning the ratings to ASBC, ICRA has taken into account the linkages between the various group entities and the consolidated debt levels of the group.

Recent Results

As per the provisional figures of the financial year ended March 2010, the firm reported Profit After Tax (PAT) of Rs. 4.51 crore on an OI of Rs. 97.29 crore.

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¹100 lakh = 1 crore = 10 million

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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*ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex".
The classification of instruments according to their complexity levels is available on the website www.icra.in*

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