

Press Release

Amulya Sea Foods

August 06, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.80.06 Cr. (Enhanced from Rs.66.06 Cr.)
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs.80.06 crore bank facilities of Amulya Sea Foods (ASF). The outlook is '**Stable**'.

Tamil-Nadu based ASF is a part of the Nila Group founded by Late Mr. D. Chandran and family. It was established in 2000 as a partnership firm. It is engaged in processing and export of frozen sea food products.

The Nila group constitutes Nila Sea Foods Exports, Amulya Sea Foods and Nila Sea Foods Private Limited. The group was established in 1992 by Late Mr. D Chandran and presently is managed by Mrs. Nilavathi C, Mr. Selwin Prabhu C and Mr. Aminath Prabu Emmanuvel. All the three companies are engaged in processing and export of frozen sea products marketed under the brand name of 'Amulya', 'Asha', 'Amica', 'Nila Silk' and 'Nila'.

Analytical Approach

Acuite has consolidated business and financial risk profiles of Nila Sea Foods Exports (NSFE), Nila Sea Foods Private Limited (NSFL) and Amulya Sea Foods (ASF) referred to as the Nila Group. The consolidation is in view of the common management, similarity in the line of business and significant operational and financial linkages among the entities.

Level of consolidation - Full.

Key Rating Drivers

Strengths

- **Established presence of the promoters in sea food industry**

Nila Group has presence of more than three decades in the export of sea food business. The group caters to USA, Europe, Japan, Far East and Middle East Countries among others. The promoters of the group are well supported by an experienced second level management. The group has established healthy relationship with the customers and suppliers.

Acuite believes that the group will benefit from its promoters' long established presence in this industry and healthy relationship with customers and suppliers to support its business risk profile over the medium term.

- **Moderate financial risk profile**

Nila Group has moderate financial risk profile marked by moderate net worth, gearing and debt protection metrics. The net worth stood at Rs. 75.97 crore as on 31 March, 2019 (Provisional) as against Rs. 71.72 crore as on 31 March, 2018. The gearing stood at 1.92 times as on 31 March, 2019 (Provisional) as compared to 2.31 times as on 31 March, 2018. The total debt of Rs. 145.49 crore as on 31 March, 2019 (Provisional.) consists of term loan of Rs.8.92 crore and working capital borrowings of Rs. 136.57 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) improved marginally and stood at 2.22 times as on 31 March, 2019 (Provisional.) as against 2.66 times as on 31 March, 2018. Interest Coverage Ratio (ICR) stood healthy at 2.53 times in FY2019 (Provisional) as compared to 2.11 times in FY2018 mainly on account of low interest cost and stable operating margins.

• Diversified product profile and in-house cold storage and power generation capacities

The group is engaged in processing and export of frozen sea food including shrimps, squid, cuttlefish, octopus and crabs. The processing units, certified by Hazard Analysis Critical Control Points (HACCP) and approved by European Union and USFDA, help the group in procuring export orders. Further the Nila group has in-house cold storage and windmill capacity for all the three entities in the group, which helps in reducing the operating cost and ensuring steady supply of power and storage facility. Any excess power generation is sold to the government.

Weaknesses

• Declining revenue trend

The operating revenue has been on declining trend over the last four years under study. The revenue stood at Rs.499.15 crore during FY2019 (provisional), Rs.543.99 crore during FY2018, Rs.570.35 crore in FY2017 and Rs.613.00 crore in FY2016. The reason for decline in revenue is on account of decline in average realisation of the products due to intense competition in the global seafood industry.

• Exposure of Nila Group operations to risks inherent to sea-food industry

The group's operations are exposed to risks inherent to the sea food industry such as susceptibility of sea food to disease outbreaks or adverse agro-climatic conditions, among others. In addition, any adverse changes in government policies on exports, imports and incentives are also likely to impact its business risk profile.

Liquidity Position:

Nila group has adequate liquidity position characterised by minimal term loan of Rs.8.92 crore as against adequate net cash accrual of Rs.12.55 crore for FY2019 (Provisional). Further, the working capital borrowing utilisation stood moderate during FY2019 on account of moderate working capital intensity of operations. The group maintained unencumbered cash and bank balance of Rs.12.03 crore as on March 31, 2019 (provisional). The current ratio stood at 1.14 times as on March 31, 2019 (provisional). Further, the absence of any major debt-funded capital expenditure in the near term provides comfort to an extent.

Acuite believes that the liquidity is likely to remain adequate over the medium term on account of adequate cash accrual vis-à-vis debt repayment obligations.

Outlook: Stable

Acuite believes the Nila group will have a 'Stable' outlook over the medium term on account of established presence and promoters' experience in the seafood industry. The outlook may be revised to 'Positive' if the group achieves more than envisaged sales and profitability along with improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the financial risk profile deteriorates or the group fails to achieve its expected revenue growth and profitability or elongation of its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	499.15	543.99	570.35
EBITDA	Rs. Cr.	24.71	27.40	24.31
PAT	Rs. Cr.	5.62	5.87	4.97
EBITDA Margin	(%)	4.95	5.04	4.26
PAT Margin	(%)	1.13	1.08	0.87
ROCE	(%)	7.64	9.81	8.20
Total Debt/Tangible Net Worth	Times	1.92	2.31	1.94
PBDIT/Interest	Times	2.53	2.11	2.13
Total Debt/PBDIT	Times	5.86	5.87	5.30
Gross Current Assets (Days)	Days	132	125	98

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing sector - <https://www.acuite.in/view-rating-criteria-8.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-May-2018	PC/PCFC	Short Term	35.00 (Enhanced from Rs. 25.00 crore)	ACUITE A4+ (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Short Term	30.00 (Enhanced from Rs. 20.00 crore)	ACUITE A4+ (Reaffirmed)
	Proposed	Long Term	1.06	ACUITE BB/Stable (Reaffirmed)
14-Mar-2017	Term Loan	Long Term	4.06	ACUITE BB/Stable (Downgraded from ACUITE BB+/Stable)
	PC/PCFC	Short Term	25.00	ACUITE A4+ (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Short Term	20.00	ACUITE A4+ (Reaffirmed)
	Proposed	Long Term	3.00	ACUITE A4+ (Assigned)
24-Aug-2015	Term Loan	Long Term	4.06	ACUITE BB+/Stable (Assigned)
	Export Packing Credit	Short Term	25.00	ACUITE A4+ (Assigned)
	Foreign Bill Purchase	Short Term	20.00	ACUITE A4+ (Assigned)
	Foreign Letter of Credit	Short Term	3.00	ACUITE A4+ (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	40.00 (Enhanced from Rs.35.00 crore)	ACUITE A4+ (Reaffirmed)
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	40.00 (Enhanced from Rs.30.00 crore)	ACUITE A4+ (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.06	ACUITE BB/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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