

Press Release

Nila Sea Foods Exports (NSFE)

08 February, 2017

Rating Downgraded

| | |
|-------------------------------------|---|
| Total Bank Facilities Rated* | Rs.91.52 Cr |
| Long Term Rating | SMERA BB/Stable (Downgraded from SMERA BB+/Stable) |
| Short Term Rating | SMERA A4+(Reaffirmed) |

**Refer Annexure for details*

Rating Rationale

SMERA has downgraded the long term rating assigned to the above mentioned bank facility to **'SMERA BB' (read as SMERA double B)** from SMERA BB+ (read as SMERA double B plus) and reaffirmed the short term rating of **'SMERA A4+' (read as SMERA A four plus)** on the above mentioned bank facilities of Nila Sea Foods Exports (NSFE). The outlook is **'Stable'**.

Nila Sea Foods Exports (NSFE) and Amulya Sea Foods (ASF) are part of the Nila Group, a Tuticorin based group headed by Mr. D. Chandran and family. NSFE was established in 2010 whereas ASF was established in 2000 at Pattukottai. The group is engaged in the processing and export of frozen marine products that are marketed under the 'Amulya' and 'Nila' brand names.

For arriving at the ratings, SMERA has combined the business and financial risk profiles of Nila Sea Foods Exports (NSFE) 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 between the companies.

List of key rating drivers and their detailed description

Strengths:

Experienced management: The management possesses experience of around three decades in the seafood industry and is well supported by an experienced second level management.

Diversified customer base: The group has customers across U.S.A, European countries, Japan and UAE. 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.

Geographical diversification: The group exports prawns, lobsters and shrimps to USA, Japan, UK and other European countries.

Locational advantage: The processing units are located at major fishing areas of Pattukotai and Thootukudi port, which help procure raw material easily.

Weaknesses:

Moderate financial risk profile: The financial risk profile is marked by moderate net worth base of Rs 31.63 crore, high debt- equity (gearing) of 2.52 times and low interest coverage of 1.05 times as on 31March 2016 (provisional). NCA/ TD stands at 0.01 times in 31March 2016 (provisional).

Losses incurred on account of bad debt written off: The group suffered losses amounting to Rs.7.19 crore in FY2015-16 on account of bad debt written off by ASF.

Susceptibility to risks inherent in the seafood industry: The group remains vulnerable to the inherent risks in the seafood industry such as diseases, changes in climatic conditions, government policies among others.

Analytical approach:

For arriving at the ratings, SMERA has combined the business and financial risk profiles of Nila Sea Foods Exports (NSFE) 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 between the companies.

Applicable Criteria

- Trading: <https://www.smera.in/criteria-trading.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>
- Consolidation: <https://www.smera.in/criteria-consolidation.htm>

Outlook: Stable

SMERA believes that the group will continue to benefit over the medium term from the promoters vast experience in the sea-food industry. The outlook may be revised to 'Positive' if the group achieves more than envisaged sales and profitability and registers improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the financial risk profile further deteriorates and the group fails to achieve its expected revenue growth and profitability.

About the Rated Entities

Amulya Sea Foods (ASF) and Nila Sea Foods Exports (NSFE) are part of the Nila group, a Tuticorin based group managed by Mr. D. Chandran and family. ASF was established in 2000 and NSFE in 2010 at Pattukotai. The group is engaged in the processing and export of frozen marine products like shrimps, lobster, squid, cuttle fish among others and marketed under the 'Amulya' and 'Nila' brand names.

For FY2016, Nila Group reported profit after tax (PAT) of Rs. (1.73) crore on total operating income of Rs.282.96 crore, as compared with PAT of Rs. 3.90 crore on total operating income of Rs. 297.57 crore in FY2015. The tangible net worth stood at Rs. 31.63 crore in FY2016 as compared to Rs. 32.23 crore in FY2015.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

| Name of Facilities | 2017 | | | 2016 | | 2015 | | 2014 | |
|--------------------|-------|--------------------|---|------|--------|--------------|--------------------------------|------|--------|
| | Scale | Amount (Rs. Crore) | Rating with Outlook | Date | Rating | Date | Rating | Date | Rating |
| Term Loan | LT | 6.00 | SMERA BB/Stable (Downgraded from SMERA BB+/Stable) | - | - | 24 Aug, 2015 | SMERA BB+/Stable (Assigned) | - | - |
| EPC/PCFC | ST | 50.00 | SMERA A4+ (Reaffirmed) | - | - | 24 Aug, 2015 | SMERA A4+ (Assigned) | - | - |
| FBP/FBN | ST | 35.52 | SMERA A4+ (Reaffirmed) | - | - | 24 Aug, 2015 | SMERA A4+ (Assigned) | - | - |

***Annexure – Details of instruments rated:**

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/ Outlook |
|------------------------|------------------|-------------|---------------|-------------------------------|--|
| Term Loan | NA | NA | NA | 6.00 | SMERA BB/Stable (Downgraded from SMERA BB+/Stable)) |
| EPC/PCFC | NA | NA | NA | 50.00 | SMERA A4+ (Reaffirmed) |
| FBP/FBN | NA | NA | NA | 35.52 | SMERA A4+ (Reaffirmed) |

Note on complexity levels of the rated instrument: <https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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