

Press Release

Nil Sea Foods Exports (NSFE)

May 08, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 98.52crore
Long Term Rating	SMERA BB/ Outlook:Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long term rating of '**SMERA BB**' (read as **SMERA double B**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.98.52 crore bank facilities enhanced from Rs.91.52 crore of Nila Sea Foods Exports. The outlook is '**Stable**'.

Nila Sea Foods Exports (NSFE) is a part of the Tamil Nadu-based Nila Group founded by Late Mr. D. Chandran and family. NSFE was established in 2010 as a partnership firm. NSFE is engaged in the processing and export of frozen marine products.

About the group

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 marine products marketed under the brand name of 'Amulya', 'Asha', 'Amica', 'Nila Silk' and 'Nila'.

Key rating drivers

Strengths

Established track record of operations and experienced management:

The management of the group possess over three decades of experience in seafood industry. They are well supported by an experienced second level management which has resulted in establishing healthy relationship with the customers for getting repetitive orders.

In-house cold storage and power generation facilities:

Nila group has in-house cold storage facility for all the three entities in the group. The storage capacity is approximately 3800 Metric Tonnes. Each of the entities have windmill with installed capacity of 750 MW each exclusively for captive consumption.

Diversified product range and customer base:

The group exports its product to Japan, European Union, USA, Far East and Middle East countries. From FY2019, it will be exporting to China and Vietnam as well. 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.

Weaknesses

Moderate financial risk profile:

The financial risk profile is moderate marked by net worth of Rs.66.57 crore as on March 31, 2017 as compared to Rs.83.49 crore as on March 31, 2016. The decline in net worth was due to settlement of income tax pertaining to previous years (2007-2013) charged to reserves. The debt-to-equity (gearing) declined to 1.94 times as on March 31, 2017 from 1.85 times as on March 31, 2016. However, Interest Coverage Ratio improved from 1.50 times as on March 31, 2016 to 2.13 times as on March 31, 2017.

Decline in revenue:

The revenue has declined during the last three years ended March 31, 2017. The revenue stood at Rs.570.35 crore in FY2017 as against Rs 613.00 crore in FY2016 and Rs.674.71 in FY2015. The group registered revenue of ~Rs.576.00 crore from April, 2017 to January, 2018. The reason for decline in revenue is due to the overall decline in average realisation of the products due to intense competition in the global seafood industry.

Intense competition from domestic and international players:

The business is highly exposed to changes in the government policies in exporting countries and competitive pressure from domestic and international players. The Sea food industry is also susceptible to diseases and climatic changes.

Analytical approach:

For arriving at the ratings, SMERA has combined the 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.

Outlook – Stable

SMERA believes that the Nila group will have a 'Stable' outlook over the medium term from the promoters' vast experience in the seafood 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 deteriorates further and the group fails to achieve its expected revenue growth and profitability.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	570.35	613.00	674.71
EBITDA	Rs. Cr.	24.31	19.49	31.58
PAT	Rs. Cr.	4.97	0.62	6.89
EBITDA Margin	(%)	4.26	3.18	4.68
PAT Margin	(%)	0.87	0.10	1.02
ROCE	(%)	8.20	5.55	16.76
Total Debt/Tangible Net Worth	Times	1.94	1.85	2.32
PBDIT/Interest	Times	2.13	1.50	1.84
Total Debt/PBDIT	Times	5.30	7.67	5.58
Gross Current Assets (Days)	Days	98	109	127

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

SMERA is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Any other information: None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities- <https://www.smera.in/criteria-manufacturing.htm>
- Consolidation of Companies - <https://www.smera.in/criteria-consolidation.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable): None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore.)	Ratings/Outlook
08 Feb, 2017	Term Loan	Long Term	6.00	SMERA BB/Stable (Downgraded from SMERA BB+/Stable)
	EPC/PCFC	Short Term	50.00	SMERA A4+ (Reaffirmed)
	FBP/FBN	Short Term	35.52	SMERA A4+ (Reaffirmed)
24 Aug, 2015	Term Loan	Long Term	1.52	SMERA BB+/ Stable (Assigned)
	Export Packing Credit	Short Term	40.00	SMERA A4+ (Assigned)
	Foreign Bill Purchase	Short Term	50.00	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	Not Applicable	Not Applicable	Not Applicable	6.40	SMERA BB/Stable (Reaffirmed)
EPC/PCFC	Not Applicable	Not Applicable	Not Applicable	50.00	SMERA A4+ (Reaffirmed)
FBP/FBD	Not Applicable	Not Applicable	Not Applicable	42.12 (enhanced from Rs. 35.52 crore)	SMERA A4+ (Reaffirmed)

Contacts:

Analytical	Rating Desk
<p>Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 Email: suman.chowdhury@smera.in</p> <p>Bhanupriya Khandelwal Analyst - Rating Operations Tel: 02267141131 Email: bhanupriya.khandelwal@smera.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 Email: varsha.bist@smera.in</p>

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.