

Press Release

14 March, 2017

SSF Limited

Rating Reaffirmed

Total Bank Facilities Rated *	Rs.10.79 Cr.
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 BB minus**) and short term rating of '**SMERA A4+**' (**read as SMERA A four plus**) on the Rs. 10.79 crore bank facilities of SSF Limited. The outlook is '**Stable**'.

The Chennai-based SSF Limited (SSFL), incorporated in 1968 is engaged in the export of raw frozen prawns and shrimps to the European Union, Japan, China, Vietnam and Middle East. The processing units are located at Visakhapatnam and Kakinada (leased out).

Key Rating Drivers

Strengths

- **Moderate financial risk profile**

SSFL has moderate financial risk profile with gearing of 0.54 times as on 31st March, 2016 and ICR at 3.41 times for FY2015-16. SSFL has a moderate networth of Rs. 7.31 cr as on 31st March, 2016, an increase from Rs.6.86 cr in the previous year.

- **Geographically diversified customer base**

SSFL has customers across the globe since it exports raw prawns to European Union, Japan, China, Vietnam and the Middle East.

- **Experienced management and long track record of operations**

The company has an established track record of operations. The commercial operations began in 1968. Mr. Padmanabham Vattikuti, Managing Director has experience of over three decades in seafood exports.

- **Integrated operations**

The company has vertically integrated operations with processing and cold storage facilities. The plants are located close to the major fishing areas of Visakhapatnam enabling easy procurement of raw material.

- **Stable growth in operations**

The revenue has been growing at a stable rate from FY2013-14 to FY2015-16 at a CAGR of 13.66 per cent.

Weaknesses

- **Uneven profit margins**

The operating margins have been uneven from FY2013-14 to FY2015-16. The EBIDTA margins declined from 5.27 per cent in FY2014-15 to 3.86 per cent in FY2015-16. Further, the net margins declined from 1.27 per cent in FY2014-15 to 1.19 per cent in FY2015-16.

- **Product concentration**

SSFL is exposed to product concentration risk as it only deals in the export of prawns.

- **Susceptibility to risks inherent in the seafood industry**

The company is vulnerable to the inherent risks in the seafood industry such as susceptibility to diseases, climate changes, fluctuations in exchange rates, adverse changes in government policies among others.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that SSFL will maintain a stable outlook in the medium term owing to its long track record of operations. The outlook may be revised to 'Positive' in case the company reports higher than expected revenue with healthy operating margins and working capital management leading to better financial flexibility. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenue leading to unhealthy profit margins.

About the Rated Entity - Key Financials

For FY2015-16, the company reported profit of Rs. 0.46 cr on operating income of Rs.38.39 cr as compared to profit of Rs. 0.38 cr on operating income of Rs.30.20 cr in FY2014-15. The net worth stood at Rs.7.31 cr as on March 31, 2016 against Rs.6.86 cr a year earlier.

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
27-Oct-2015	Term Loan	Long Term	INR 0.79	SMERA BB-/ Stable
	Purchase Bill Discounting	Short Term	INR 6	SMERA A4+
	PC/PCFC	Short Term	INR 4	SMERA A4+

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4+
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA A4+
Term loans	Not Applicable	Not Applicable	Not Applicable	0.44	SMERA BB-/Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.35	SMERA BB-/Stable

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in Hina Gupta Rating Analyst Tel: 02267141320 hina.gupta@smera.in	Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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