

March 09, 2016

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	4.10	SMERA BB-/Stable (Assigned)
Proposed Fund Based Facilities	0.90	SMERA BB-/Stable (Assigned)
Packing Credit	9.00*	SMERA A4+ (Assigned)

*Includes sublimit of Bill discounting to the extent of Rs.2.00 crore.

SMERA has assigned long term rating of **SMERA BB- (read as SMERA double B minus)** and a short term rating of **SMERA A4+ (read as SMERA A four plus)** to the Rs.14.00 crore bank facilities of Karavali Ocean Products Private Limited (KOPPL). The outlook is **Stable**. The ratings derive comfort from the group's experienced management, established market network and above average financial profile. The ratings also factor in the comfortable liquidity and healthy revenue momentum over the past three years ended FY2014-15. However, the ratings are constrained by the group's exposure to fluctuations in raw material prices and forex rates in the absence of hedging. Besides, the ratings also take into account the perishable nature of goods and intense competition in the fisheries industry.

To arrive at the ratings, SMERA has consolidated the business and financial risk profile of two entities viz. Karavali Freezers & Exporters and Karavali Ocean Products Private Limited, together referred to as the Karavali Group. The consolidation is due to the common management apart from the operational and financial synergies within the group.

Outlook: Stable

SMERA believes that the Karavali Group will maintain a stable business profile over the medium term on account of its healthy revenue growth and experienced management. The outlook maybe revised to 'Positive' in case of sustained revenue momentum with healthy profitability and effective working capital management. Conversely the outlook maybe revised to 'Negative' in case of significant decline in group's revenue and profit margins.

Rating Sensitivity Factors

- Revenue momentum sustainability and healthy profitability
- Effective working capital management
- Future capex plan and its funding

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.smerra.in) for the latest information on any instrument rated by SMERA.

About the Company

Incorporated in 2011, KOPPL, part of the Karavali Group is a Karnataka-based company engaged in the processing and export of frozen seafood to US, Canada, China, Thailand among others. The company's processing unit in Karnataka has freezer capacity of 750 MT. Mr. Lohit Kumar, Director, handles the day-to-day operations of the company.

For FY2014-15, KOPPL reported profit after tax (PAT) of Rs.0.68 crore on operating income of Rs.38.49 crore as against PAT of Rs.0.45 crore on operating income of Rs.10.77 crore in FY2013-14.

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