

March 09, 2016

Facilities	Amount (Rs. Crore)	Ratings
Term Loan	3.50	SMERA BB-/Stable (Assigned)
Packing Credit	11.50*	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.15.00 crore bank facilities of Karavali Freezers and Exporters (KFE). 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

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### About the Firm

Established in 2010, Karavali Freezers & Exporters, a partnership firm is part of the Karnataka-based Karavali group. The firm processes seafood and exports the same to US, Canada, China, Thailand among others. The day-to-day operations of the firm are managed by Mr. Lohit Kumar, the partner of the firm.

The firm has an existing storage capacity (rented) of 1000 MT. It has taken over an existing fishery unit resulting in a two fold increase in capacity.

For FY2014-15, KFE reported profit after tax (PAT) of Rs.0.27 crore on operating income of Rs.46.38 crore as against PAT of Rs.0.45 crore on operating income of Rs.36.77 crore in FY2013-14.

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