Press Release

S. S. Sea Food Private Limited

August 07, 2019

Rating Upgraded and Reaffirmed

Total Bank Facilities Rated*	Rs. 15.40 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Upgraded from ACUITE B/Stable)
Short Term Rating	ACUITE A4 (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE B+**' **(read as ACUITE B plus)** from **'ACUITE B' (read as ACUITE B)** and reaffirmed the short-term rating of **'ACUITE A4' (read as ACUITE A four)** on the Rs. 15.40 crore bank facilities of S S SEA FOOD PRIVATE LIMITED (SFPL). The outlook is **'Stable'**.

The rating revision is in view of improvement in business risk profile as marked by improving revenues along with profitability margins. The company's revenue grew at a CAGR of ~53 percent over the last four years through 2016-19 (Prov). The company's revenue was reported high at Rs.144.98 crore for FY2019 (Provisional) as against Rs.116.96 crore in FY2018 and Rs.93.16 crore in FY2017. Also, the rating draws comfort from growth in accruals coupled with efficient working capital management.

Incorporated in 2012, S S Sea Food Private Limited (SFPL) is a Kolkata-based company engaged in processing and trading of fish and shrimps to countries such as Vietnam, China, USA and Japan, among others. The company is promoted by Mr. Sankar Kumar Dutta and Mr. Sankar Pal. The company procures fish from local fisherman and traders in West Bengal, Orissa and Andhra Pradesh.

Analytical Approach
Acuité has considered the standalone business and financial risk profile of SFPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**
  The promoters of the company, Mr. Sankar Kumar Dutta and Mr. Sankar Pal have more than three decades of experience in the marine product business. Before promoting SFPL, the promoters were engaged in service of sea food companies in Bangladesh and India. Acuité believes that SFPL will benefit from experienced management which will help the company to maintain long standing relations with its customers and suppliers.

- **Improving revenue and profitability**
  The company's revenue grew at a CAGR of ~24.7 percent over the last three years through 2018-19 (Provisional). SFPL showed healthy growth in revenues marked by operating income of Rs.144.98 crore in FY2019 (Provisional) as against Rs.116.96 crore in FY2018 and Rs.93.16 crore in FY2017. The significant growth in revenue is due to stabilisation of operations and increasing demand for the product. The company's operating margins improved to 3.78 percent in FY2019 (Provisional) as against 2.95 percent in FY2018 and 2.80 percent in FY2017. Further, the company reported Profit after Tax (PAT) margins of 1.55 percent in FY2019 (Provisional) as against 0.85 percent in FY2018 and 0.55 percent in FY2017. Acuité believes that the company's ability to register significant growth in its revenues while improving its profitability would be key rating sensitivity.

Weaknesses

- **Average financial risk profile**

The financial risk profile of the company is average marked by tangible net worth of Rs.4.33 crore as on 31 March, 2019 (Prov) as against Rs.2.09 crore in the previous year. The gearing stood high at 4.57 times as on 31 March, 2019 (Prov) as against 4.28 times in the previous year. The total debt of Rs.19.83 crore as on 31 March, 2019 (Prov) includes term loan from bank of Rs.1.63 crore, working capital borrowings of Rs.10.86 crore and unsecured loans of Rs.7.34 crore. The total outside liabilities to tangible net worth (TOL/TNW) stood at 6.22 times as on 31 March, 2019 (Prov) as against 6.18 times in the previous year. Interest Coverage Ratio (ICR) stood at 3.88 times in FY2019 (Prov) as against 3.23 times in FY2018. The net cash accruals to total debt (NCA/TD) stood at 0.16 times in FY2019 (Prov). Going forward, Acuité believes that the company's ability to improve its net worth along with debt protection metrics will remain key sensitivity.

- **Susceptibility to risk inherent in the seafood industry and forex risk**

SFPL operates in an intensely competitive and fragmented seafood industry. The company is also exposed to risks inherent in the industry such as susceptibility to diseases, changes in climatic conditions and government policies. Also, being an exporter, the company is exposed to risks related to economic conditions of export countries. Any slowdown in the economic conditions of these countries may adversely impact the orders inflow of the company. Further, in order to hedge against currency fluctuations, the company engages in forward booking before 3-4 months, according to sales order trend.

Liquidity Position:

The company has adequate liquidity marked by net cash accruals as compared to its maturing debt obligations. SFPL generated cash accruals of Rs.1.5-3.2 crore during the last three years through 2017-19 (Prov), while the maturing debt obligations were in the range of Rs.0.3-0.6 crore over the same period. Further, the cash accruals are expected to be at Rs.3.0-5.0 crore during 2019-21, while its repayment obligations are estimated to be Rs.0.3-0.5 crore. SFPL maintains cash and bank balances of Rs.0.04 crore as on March 31, 2018. The current ratio stood comfortable at 1.07 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to be adequate over the medium term on account of no capex and no long-term debt obligation.

Outlook: Stable

Acuité believes that SFPL's outlook will remain 'Stable' over the medium term from its experienced management along with improvement in revenues and profitability. The outlook may be revised to 'Positive' in case of higher than expected growth in its revenues while improving its profitability and improvement in financial risk profile. The outlook may be revised to 'Negative' in case of steep decline in revenues and profitability or stretch in its working capital management leading to deterioration of its financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	144.98	116.96	93.16
EBITDA	Rs. Cr.	5.49	3.45	2.61
PAT	Rs. Cr.	2.24	0.99	0.51
EBITDA Margin	(%)	3.78	2.95	2.80
PAT Margin	(%)	1.55	0.85	0.55
ROCE	(%)	26.48	22.28	17.89
Total Debt/Tangible Net Worth	Times	4.57	4.28	9.39
PBDIT/Interest	Times	3.88	3.23	2.82
Total Debt/PBDIT	Times	3.54	2.50	3.77
Gross Current Assets (Days)	Days	58	20	23

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

Not Applicable

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

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-17.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-20.htm

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Jul-2018	Term Loan	Long Term	2.00	ACUITE B / Stable (Upgraded)
	Packing Credit	Short Term	7.40	ACUITE A4 (Reaffirmed)
	Foreign Bill Purchase	Short Term	6.00	ACUITE A4 (Assigned)
02-Aug-2016	Term Loan	Long Term	3.78	ACUITE B- / Stable (Assigned)
	Packing Credit	Short Term	2.00	ACUITE A4 (Assigned)
	Proposed Bank Facility	Short Term	0.22	ACUITE A4 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	1.47	ACUITE B+ / Stable (Upgraded from ACUITE B/Stable)
Foreign Bill Purchase	Not Applicable	Not Applicable	Not Applicable	2.93	ACUITE A4 (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Grishma Muni Analyst - Rating Operations Tel: 022-49294075 grishma.muni@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.