

Sea Foods Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Term Loan	0.94	SMERA BB-/Stable (Assigned)
Export Packing Credit/Pre-shipment credit in Foreign Currency/Foreign Bill Discounting/Export Bills Rediscounting Scheme	8.00	SMERA A4+ (Assigned)
Bank Guarantee	0.22	SMERA A4+ (Assigned)

SMERA has assigned long term rating of '**SMERA BB-**' (read as SMERA double B minus) on the Rs.0.94 crore (fund based) and short term rating of '**SMERA A4+**'(read as SMERA A four plus) on the Rs.8.22 crore (non-fund based) bank facilities of Sea Foods Private Limited (SFPL). The outlook is '**Stable**'.

The ratings draw support from the experienced management, long track record of operations and significant revenue growth. The ratings are also strengthened by the geographical diversification of the company, efficient working capital management and average financial risk profile. However, the ratings are constrained by the risks inherent in the seafood industry, susceptibility of profit margins to exchange rate fluctuations, low profitability and intense competition in the export market.

Established in 1992, SFPL is a 100 per cent Export Oriented Unit (EOU) engaged in the processing and export of seafood to China, USA, Japan to name a few. The promoters include Krishnendu Jana, Subal Kumar Manna, Soma Jana, Moumita Jana Sinha and Sujata Jana. The company was taken over by the current management in FY2013. The revenue of the company increased from Rs.35 crore in FY2014 to Rs.97 crore in FY2016. The company has registered revenues of Rs.32crore in Q1 of FY2017. SFPL has an effective working capital cycle of around 8 days marked by inventory of 8 days, debtors of 1 day against creditors of 1 day in FY2016 (provisional) thereby representing comfortable liquidity during this period.

The interest coverage and debt service coverage ratios have been at 3.2 times and 2.8 times (provisional) respectively in FY2016. The gearing levels have increased from 1.5 times in FY2015 to around 2.4 times in FY2016 mainly due to increase in short term borrowings for expansion. The net worth base of the company is at a low of around Rs.3.8 crore as on March 31, 2016.

The company remains vulnerable to risks inherent in the seafood industry such as susceptibility to diseases, climate changes and adverse changes in government policies. Further, the ratings also factor in the exposure to forex fluctuations.

The net profit margins have been at low levels ranging between 0.40 per cent to 0.60 per cent from FY2014 to FY2016. Besides, the company also faces intense market competition in the seafood industry.

Rating Sensitivity Factors

- Scaling up of operations and profitability
- Extent of capex and its funding mix

Outlook – Stable

SMERA believes that SFPL will maintain a stable outlook in the medium term while benefitting from its promoters' extensive experience and well managed working capital. The outlook may be revised to 'Positive' if SFPL scales up operations and profitability. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or if the working capital cycle elongates.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Company

SFPL, a Kolkata-based company was established in 1992. It was taken over by the current management in FY2013. The company is engaged in the processing and export of seafood. The company exports Black Tiger Prawns, Vannamei, sea shrimps and fish to Japan, Vietnam, China to name a few.

For FY2016, SFPL reported profit after tax (PAT) of Rs.0.59 crore on total operating income of Rs.1.44 crore, as compared with PAT of Rs.0.29 crore on total operating income of Rs.0.79 crore in FY2015.

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ABOUT SMERA

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