

Press Release

13 July, 2017

Sea Foods Private Limited

Rating Assigned & Reaffirmed



Total Bank Facilities Rated *	Rs.14.82 cr (Enhanced from Rs 9.16 crs)
Long Term Rating	SMERA BB-/ Outlook: Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

Refer Annexure for details

Rating Rationale

SMERA assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs 13.00 crore bank facilities and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs.1.60 crore bank facilities. Also, SMERA has reaffirmed the short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs 0.22 crore bank facilities of Sea Foods Private Limited. The outlook is '**Stable**'.

SMERA has also withdrawn the rating of SMERA BB- (read as SMERA double B minus) on the term loan of Rs 0.94 crore on account of full payment of dues against the rated facilities.

Sea Foods Private Limited (SFPL), a Kolkata-based company established in 1992 is engaged in the processing and export of seafood. The company exports a wide variety of marine products like Black Tiger Prawn, Vannamei, sea shrimps and fish to Japan, Vietnam, China, Malaysia and USA. The manufacturing facility is located at Shankarpur, West Bengal and has an installed capacity of 33.50 metric tonnes per day.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

The current management comprises Mr. Krishnendu Jana, Mrs. Moumita Jana Sinha, Mrs Sujata Jana, Mrs. Soma Jana and Mr. Subal Kumar Manna who possess over a decade of experience in the said line of business.

Geographical diversification

The company is a 100 per cent EOU engaged in export of sea food to China, USA, Japan, Vietnam and Malaysia. Plans are on to export to Belgium, starting July 2017.

Healthy growth in revenue

The revenues increased in FY2017 (Provisional) to Rs.151.82 crore compared to Rs.97.43 crore in FY2016. The increase in revenue can be mainly attributed to surge in the number of new customers and also increasing orders from existing customers.

Moderate financial risk profile

The financial risk profile is moderate marked by high gearing, comfortable debt protection metrics and moderate net worth. The gearing (debt-to-equity) stood at 1.87 times as on 31 March, 2017 (Provisional) against 2.38 times in FY2016. The interest coverage ratio and the DSCR has also increased and stood at 3.50 times and 2.94 times in FY2017 (provisional) compared to 3.19 times and 2.77 times in FY2016. The net worth is moderate at Rs.4.35 crore in FY2017 (Provisional) against Rs.3.83 crore in the previous year owing to retention of profits in the business. The net cash accrual (NCA)/total debt (TD) stood at 0.17 times in FY2017 (Provisional) against 0.12 times in the previous year.

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

The company remains vulnerable to the inherent risks in the seafood industry such as susceptibility to diseases, climate changes, adverse changes in government policies and stringent quality requirements.

Low profitability

The operating margins have shown a decreasing trend from FY2015. It stood at 1.85 per cent in FY2017 (Provisional) compared to 2.00 per cent in FY2016 and 2.19 per cent in FY2015. Fall in operating margin has been mainly on account of increase in raw material and other direct costs.

Working capital intensive operations

The operations of the company continue to be working capital intensive evident from the almost full utilisation of EPC limit of Rs 8 crore. The company utilises the EPC to procure shrimps from aqua firms in Shankarpur where the unit is located. On an average the company maintains inventory of around Rs 15 crore during the peak season (April to November). The low inventory and debtor balance of Rs 5.31 crore and Rs 2.05 crore respectively in FY2017 (Provisional) reflects the lean season phenomena of seafood business in the eastern part of India.

Susceptibility of profits to exchange rate fluctuation

Since the company is largely into exports, it is exposed to forex rate fluctuation risk affecting its margins.

Analytical Approach

For arriving at the rating, SMERA has considered the standalone business and financial risk profiles of SFPL.

Outlook: Stable

SMERA believes that SFPL will maintain a stable outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of higher-than-expected growth in revenues while achieving sustained improvement in profit margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the projected revenues leading to fall in margins or deterioration in the financial risk profile due to higher working capital requirements.

About the Rated Entity - Key Financials

For FY2017 (Provisional), SFPL reported Profit after Tax (PAT) of Rs.1.03 crore on total operating

income of Rs.151.82 crore compared to PAT of Rs 0.59 crore on total operating income of Rs.97.03 crore in FY2016.

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 for the last three years:

Name of Facilities	2017				2016		2015		2014	
	Scale	Date	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
EPC/PCFC/ FBD/EBR	LT	11 July, 2017	8.00	SMERA BB-/Stable (Assigned)	19 Sept' 2016	SMERA A4+ (Assigned)	-	-	-	-
Proposed EPC/PCFC/ FBD/EBR	LT	11 July, 2017	5.00	SMERA BB-/Stable (Assigned)	-	-	-	-	-	-
Term Loan	LT	11 July, 2017	0.94	SMERA BB-/Stable (Withdrawn)	19 Sept' 2016	SMERA BB-/Stable (Assigned)	-	-	-	-
Stand By Line of Credit	ST	11 July, 2017	1.60	SMERA A4+ (Assigned)	-	-	-	-	-	-
Bank Guarantee	ST	11 July, 2017	0.22	SMERA A4+ (Reaffirmed)	19 Sept' 2016	SMERA 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
EPC/PCFC/FBD/EBR	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BB-/Stable (Assigned)
Proposed EPC/PCFC/FBD/EBR	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.94	SMERA BB-/Stable (Withdrawn)
Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	1.60	SMERA A4+ (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.22	SMERA A4 + (Reaffirmed)

Contacts:

Analytical	Rating Desk
<p>Vinayak Nayak, Head –Ratings Operations, SMERA Bond Ratings Tel: 022-67141190 Email: vinayak.nayak@smera.in</p> <p>Aniruddha Dhar Rating Analyst, Tel:033-66201200 Email: aniruddha.dhar@smera.in</p>	<p>Varsha Bist, Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in</p>

ABOUT SMERA

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