

Press Release

Sea Foods Private Limited

October 08, 2018



Rating Reaffirmed and Upgraded

Total Bank Facilities Rated*	Rs. 14.82 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Upgraded from ACUITE BB-/Stable)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and reaffirmed short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 14.82 crore bank facilities of Sea Foods Private Limited (SFPL). The outlook is '**Stable**'.

The upgrade is driven by sustained growth in revenue, and profitability. The revenue and profitability margins of the company have improved over the last three years. The operating revenue has improved from Rs.151.93 crore in FY2017 to Rs.195.21 crore in FY2018. The operating profitability (EBITDA) improved from 1.99 percent in FY2017 to 2.47 percent in FY2018 mainly because the company has recently started exporting to European countries.

SFPL is a marine export company incorporated in April 1992, later was taken over by the current management in the financial year 2012-13. The company is involved in the export of a wide variety of marine products such as black tiger prawn, vannamei, sea shrimps and fish to countries such as Japan, Vietnam, China, USA and UAE. The manufacturing facility is located at Shankarpur (West Bengal) and has an installed capacity of around 33.50 metric tonnes per day.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Sea Foods Private Limited (SFPL) to arrive at the rating.

Key Rating Drivers:

Strengths

- Experienced management and proximity to raw materials**

The current management includes Mr. Krishnendu Jana, Mrs. Moumita Jana Sinha and others who took over the company in 2012 have more than a decade of experience in the sea food industry through a group company, Shankha Deep Exports Private Limited.

- Comfortable financial risk profile**

The financial risk profile has improved owing to improvement in the gearing and debt protection metrics. The net worth of the company has also increased but stood moderate at Rs.7.32 crore FY2018 (Provisional) compared to Rs.4.90 crore in FY2017. This increase in net worth is on account of accretion of profits to reserves thereby improving its debt-equity (Gearing) to 1.14 times in FY2018 (Provisional) compared to 1.85 times in FY2017. The interest coverage ratio (ICR) and the DSCR has also improved and stood at 3.40 times and 2.72 times in FY2018 (Provisional) compared to 3.30 times and 2.74 times in FY2017 respectively. Net Cash Accruals to Total Debt (NCA/TD) has also improved and stood at 0.30 times in FY2018 (Provisional) as against 0.18 times in FY2017. This is mainly on account of increase in the net cash accruals owing to the significant increase in the revenue.

Weaknesses

- **Susceptibility of profits due to exchange rate fluctuation**

The products are exported to Europe, USA, Japan, Vietnam, Malaysia exposing its prices and revenue to exchange rate fluctuations thereby affecting its margins.

- **Susceptibility to risks inherent in sea food industry**

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

Outlook: Stable

Acuité believes that SFPL will maintain a 'Stable' business profile in the medium term while benefitting from its promoters' experience. The outlook may be revised to 'Positive' if SFPL records more than expected revenue and if the profitability improves significantly. 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.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	194.65	151.93	97.03
EBITDA	Rs. Cr.	4.18	3.02	1.94
PAT	Rs. Cr.	1.58	1.08	0.59
EBITDA Margin (%)		2.15	1.99	2.00
PAT Margin (%)		0.81	0.71	0.61
ROCE (%)		24.91	18.78	13.94
Total Debt/Tangible Net Worth	Times	1.21	1.85	2.38
PBDIT/Interest	Times	3.28	3.30	3.19
Total Debt/PBDIT	Times	1.98	2.96	4.66
Gross Current Assets (Days)	Days	18	21	30

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

None

Any other information

None

Applicable Criteria

- Default Recognition -<https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-20.htm>
- Trading entities- <https://www.acuite.in/criteria-trading.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
13-Jul-2017	EPC/PCFC/ FBD/EBR	Long Term	8.00	ACUITE BB- / Stable (Assigned)
	Proposed EPC/PCFC/ FBD/EBR	Long Term	5.00	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	0.94	ACUITE BB- / Stable (Withdrawn)
	Stand By Line of Credit	Short Term	1.60	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	0.22	ACUITE A4+ (Reaffirmed)
19-Sep-2016	EPC/PCFC/ FBD/EBR	Short Term	8.00	ACUITE A4+ (Assigned)
	Term Loan	Long Term	0.94	ACUITE BB-/Stable (Assigned)
	Bank Guarantee	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
EPC/PCFC/ FBD/EBR	Not Applicable	Not Applicable	Not Applicable	13.00 (Enhanced from Rs. 8.00 cr)	ACUITE BB / Stable (Upgraded from ACUITE BB-/Stable)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.22	ACUITE A4+ (Reaffirmed)
Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	1.60	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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