

Press Release

Sea Foods Private Limited (SFPL)

January 20, 2020



Rating Upgraded, Assigned and Reaffirmed

Total Bank Facilities Rated	Rs. 24.82 crore (Enhanced from Rs 14.82 crore)
Long Term Rating	ACUITE BB/ Stable (Upgraded from ACUITE BB-)
Short Term Rating	ACUITE A4+ (Assigned and Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded a long term rating to '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE BB-**' (**read as ACUITE double B minus**) and reaffirmed and assigned the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs 24.82 crore bank facilities of Sea Foods Private Limited (SFPL). The outlook is '**Stable**'.

The rating was downgraded to ACUITE BB- from ACUITE BB via rationale dated December 13, 2019. The downgrade was on account of information risk. However, the company has now cooperated with Acuité in furnishing information for the review process.

SFPL is a marine export company incorporated in April 1992, later was taken over by the current management in 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. Currently, the company is managed by Soma Jana, Subal Kumar Manna, Krishnendu Jana, Moumita Jana Sinha and Sujata Jana. The processing 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 profile of SFPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operation**

Sea Foods Private Limited was incorporated in 1992. 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 (rated at ACUITE A4+).

- **Efficient working capital management**

The working capital stood well managed as evident from Gross Current Assets (GCA) days of 34 days in FY2019 as against 20 days in the previous year. The GCA Days are mainly dominated by debtor days of 26 days. Further, the other current assets stood at Rs 3.12 crore as on 31st March, 2019. Other Current Assets of Rs 3.12 crore consists of Advance tax of Rs 0.82 crore, Interest receivable on Security deposits of Rs 0.18, Accrued Duty Drawback of Rs 0.26 crore and GST Input Tax Credit of Rs 1.87 crore. Further, the efficient working capital management is also reflected from the bank limit utilization of nearly 70 percent for 9 months ended December, 2019. The working capital is expected to remain well managed over the medium term.

- **Comfortable financial risk profile**

The financial risk profile is comfortable on account of moderate networth, modest gearing and strong debt protection metrics. The networth of the company stood at Rs 9.46 crore as on 31st March, 2019 as compared to Rs 7.32 crore in the previous year. The improvement in net worth is on account of retention of current year profits. The gearing of the company stood comfortable at 1.34 times as on 31st March, 2019 as against 1.14 times as on 31st March, 2018. The total debt of Rs 12.67 crore as on 31st March, 2019 consists of long term debt of Rs 0.21 crore and short term borrowings of Rs 12.46 crore. The interest coverage ratio (ICR) of the company stood comfortable at 3.92 times in FY2019 as against 3.40 times in FY2018. The debt service coverage ratio (DSCR) of the company stood comfortable at 3.24 times in FY2019 as against 2.72 times in the previous year. The net cash accruals/ total debt (NCA/TD) stood low at 0.22 times in FY2019 as against 0.30 times in Fy2018. The financial risk profile of the company is expected to remain comfortable on account of no major debt funded capex and steady accruals.

Weaknesses

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

The products are exported to Europe, USA, Japan, Vietnam, Malaysia, as a result the company's business is exposed to fluctuations in foreign exchange rate thereby affecting its revenues and margins. However, there is no instance of losses in the recent past.

- **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 in the export country.

Rating Sensitivity

- Steady growth in revenue with sustained profitability levels
- Maintenance of working capital management

Material Covenants

None

Liquidity Profile

The company has adequate liquidity marked by moderate cash accruals as against its maturing debt obligations. The company generated cash flow of Rs 2.79 crore in FY2019 as against Rs 2.50 crore in the previous year as against no maturing debt obligations for the same period. The net cash accruals/ total debt (NCA/TD) stood healthy at 0.22 times in FY2019 as against 0.30 times in FY2018. The company maintains unencumbered cash and bank balances of Rs 0.59 crores as on 31st March, 2019. The current ratio of the company stood at 1.24 times as on 31st March, 2019 as against 1.14 times as on 31st March, 2018. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals and no significant debt funded capex plans.

Outlook: Stable

Acuité believes SFPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook maybe revised to 'Positive' in case the company registers more than envisaged revenues thereby sustaining profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	182.29	195.21
PAT	Rs. Cr.	2.13	1.92
PAT Margin	(%)	2.52	2.47
Total Debt/Tangible Net Worth	Times	1.34	1.14
PBDIT/Interest	Times	3.92	3.40

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

None

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading entities- <https://www.acuite.in/view-rating-criteria-6.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. Crore)	Ratings/Outlook
13-Dec-2019	EPC/PCFC/ FBD/EBR	Long Term	13.00	ACUITE BB- (Downgraded from ACUITE BB/ Stable) Issuer not co-operating*
	Bank guarantee	Short Term	0.22	ACUITE A4+ Issuer not co-operating*
	Standby Line of Credit	Short Term	1.60	ACUITE A4+ Issuer not co-operating*
08-Oct-2018	EPC/PCFC/ FBD/EBR	Long Term	13.00	ACUITE BB/Stable (Upgraded)
	Bank guarantee	Short Term	0.22	ACUITE A4+ (Reaffirmed)
	Standby Line of Credit	Short Term	1.60	ACUITE A4+ (Reaffirmed)
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	Short Term	0.94	ACUITE BB-/Stable (Withdrawn)
	Bank guarantee	Short Term	1.60	ACUITE A4+ (Assigned)
	Standby Line of Credit	Short Term	0.22	ACUITE A4+ (Reaffirmed)

***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	21.50 (Enhanced from Rs 13.00 crore)	ACUITE BB/Stable (Upgraded)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.30 (Enhanced from Rs 0.22 crore)	ACUITE A4+ (Reaffirmed)
Standby line of credit	Not Applicable	Not Applicable	Not Applicable	2.60 (Enhanced from Rs 1.60 crore)	ACUITE A4+ (Reaffirmed)

Proposed Standby line of credit	Not Applicable	Not Applicable	Not Applicable	0.42	ACUITE A4+ (Assigned)
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About Acuité Ratings & Research:

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