

Press Release

Sea Foods Private Limited

April 16, 2021

Rating Upgraded



Total Bank Facilities Rated*	Rs. 24.82 Cr.
Long Term Rating	ACUITE BB+/Stable (Upgraded)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

The rating upgrade is driven by the improvement in liquidity position of the company along with comfortable financial risk profile of the company. The upgrade also takes into account the stable business risk profile marked by healthy scale of operation and comfortable profitability margin during the period.

Sea Foods Private Limited was incorporated in April 1992, later in 2012-13 it was taken over by the current management consisting of Mr. Krishnendu Jana, Ms. Subal Kumar Jana, Ms. Soma Jan, Ms. Sujata Jana and Mrs. Moumita Jana Sinha. 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 processing facility is located at Shankarpur (West Bengal) and has an installed capacity of around 33.50 metric tonnes per day.

Analytical Approach:

Acuite has considered the standalone business and financial risk profile of SFPL while arriving at the rating.

Key Rating Drivers:

Strengths

Established track record of operation and experienced management

Established in 1992, the company has a track record of more than 25 years in the marine product industry. The director of the company Mr. Krishnendu Jana, Ms. Subal Kumar Jana, Ms. Soma Jan, Ms. Sujata Jana and Mrs. Moumita Jana Sinha have a business experience spanning more than 25 years. The company has a long presence in this sector and has established a healthy relationship with customers for more than a decade.

Comfortable financial risk profile

The financial risk profile of the company is marked by moderate net worth, low gearing and strong debt protection metrics. The net worth of the company stood moderate at Rs.15.83 crore in FY 2020 as compared to Rs. 9.46 crore in FY2019. This increase in networth is mainly due to retention of current year profit. The gearing of the company stood low at 0.94 times as on March 31, 2020 when compared to 1.34 times as on March 31, 2019. This improvement in gearing is mainly on account of increase in the networth of the company during the period. Interest coverage ratio (ICR) stood at 7.46 times in FY2020 as against 3.92 times in FY 2019. The debt service coverage ratio (DSCR) of the company stood at 5.70 times in FY2020 as compared to 3.24 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.47 times in FY2020 and 0.22 times in FY2019. Going forward, Acuite believes the financial risk profile of the company will remain at current comfortable levels backed by no major debt funded capital expenditure plan over the medium term along with steady cash accruals.

Efficient working capital management

The efficient working capital management of the company is marked by comfortable gross current asset (GCA) days of 42 days in FY2020 as compared to 34 days in the previous year. The inventory holding period of the company stood low at 10 days in FY2020 as compared to 5 days in the previous year. The debtor days of the company stood comfortable at 28 days in FY2020 as compared to 25 days in the previous year. Further, the efficient working capital management is demonstrated by the ~75 per cent utilization in the working capital limit for the last six months ended March 2021. Acuite believes that the company's ability to efficiently manage its working capital will remain a key rating sensitivity.

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

- Deterioration in the capital structure
- Elongation of working capital management

Material Covenant

None

Liquidity Position: Adequate

The company has adequate liquidity marked by comfortable net cash accruals of Rs.7.08 crore as against nil long term debt obligations during FY2020. The cash accruals of the company are estimated to remain in the range of around Rs. 4.69 crore to Rs. 9.04 crore during 2021-23 as against Rs.0.16 crore of long term debt obligations only in FY2021. The current ratio of the company stood comfortable at 1.37 times in FY2020. The efficient working capital management of the company is marked by Gross Current Asset (GCA) days of 42 days in FY2020. The bank limit of the company has been ~75 utilized during the last six months ended in March 2021. Moreover, the company has not availed the covid emergency fund and neither availed the loan moratorium till August 2020. Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of moderate cash accruals against no long debt repayments over the medium term.

Outlook: Stable

Acuite 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 (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	287.87	182.29
PAT	Rs. Cr.	6.38	2.13
PAT Margin	(%)	2.22	1.17
Total Debt/Tangible Net Worth	Times	0.94	1.34
PBDIT/Interest	Times	7.46	3.92

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

None

Any other information

None

Applicable Criteria

- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments – <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
20-Jan-2020	EPC/PCFC/FBD/EBR	Long Term	21.50	ACUITE BB/Stable (Upgraded)
	Bank Guarantee	Short Term	0.30	ACUITE A4+ (Reaffirmed)
	Standby Line of Credit	Short Term	2.60	ACUITE A4+ (Reaffirmed)
	Proposed Standby Line of Credit	Short Term	0.42	ACUITE A4+ (Assigned)
13-Dec-2019	EPC/PCFC/FBD/EBR	Long Term	13.00	ACUITE BB- (Downgraded & Indicative)
	Bank Guarantee	Short Term	0.22	ACUITE A4+ (Indicative)
	Standby Line of Credit	Short Term	1.60	ACUITE A4+ (Indicative)
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)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
EPC/PCFC/FBD/EBR	Not Applicable	Not Applicable	Not Applicable	21.50	ACUITE BB+/Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE A4+ (Reaffirmed)
Standby Line of Credit	Not Applicable	Not Applicable	Not Applicable	2.60	ACUITE A4+ (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.42	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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