

Press Release

Sea Foods Private Limited

July 13, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	21.50	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	3.32	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	24.82	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

SFPL's rating takes into account the steady business risk profile of the company. The rating also factors the long track record of operations, efficient working capital management and the above average financial risk profile of the company. These strengths are, however, offset by the exchange rate fluctuation and the risks inherent in the sea food industry.

About the Company

Sea Foods Private Limited was incorporated in April 1992 and is currently headed by Mr. Krishnendu Jana, Ms. Subal Kumar Jana, Ms. Soma Jana, 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 to name a few, to countries such as Japan, Vietnam, China, USA and UAE. The processing facility of SFPL 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

- Long standing operations and experienced management

Established in 1992, the company has a track record of more than 25 years in the marine product industry. Along with this, the directors of the company Mr. Krishnendu Jana, Ms. Subal Kumar Jana, Ms. Soma Jana, Ms. Sujata Jana and Mrs. Moumita Jana Sinha have an

extensive experience spanning over more than 25 years. Acuité believes that the company's long presence in the industry and the established relationship with the clientele will continue to benefit the company further.

- **Above average financial risk profile**

The above average financial risk profile of the company is marked by improving net worth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the company increased to Rs.28.44 Cr (estimated) as on March 31, 2022 from Rs.21.44 Cr as on March 31, 2021 due to accretion to reserves. Gearing of the company stood comfortable at 0.17 times (estimated) as on March 31, 2022 as against 0.73 times as on March 31, 2021, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.91 times (estimated) as on March 31, 2022 as against 2.20 times as on March 31, 2021. The healthy debt protection metrics is marked by Interest Coverage Ratio at 12.13 times (estimated) as on March 31, 2022 and Debt Service Coverage Ratio at 9.26 times (estimated) as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood high at 1.57 times (estimated) as on March 31, 2022. Acuité believes that going forward the financial risk profile will remain above average over the medium term, in absence of any major debt funded capex plans.

- **Efficient working capital management**

The company's efficient working capital management is marked by Gross Current Assets (GCA) of 77 days (estimated) as on March 31, 2022 as compared to 107 days in 31st March 2021. The GCA days are comfortable on account of low inventory level during the same period. The inventory period stood at 8 days (estimated) as on March 31, 2022 as compared to 43 days as on 31st March 2021 due to the low level of inventory holding owing to the easy availability of adequate raw material. The debtor period stood comfortable at 48 days (estimated) as on March 31, 2022 as compared to 56 days as on 31st March 2021. Acuité believes that the working capital operations of the company will remain at same level as evident from the efficient collection mechanism and low inventory level over the medium term.

Weaknesses

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

The products are exported to Japan, Vietnam, China, USA and UAE, 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.

- **Exposure 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 Sensitivities

- Improvement in the scale of operations and increase in the profitability margins
- Sustenance of the capital structure

Material covenants

None

Liquidity Position: Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs.7.76 Cr (estimated) as on March 31, 2022 against no long term debt repayment for the same period. The company has not availed any loan moratorium. The fund based limit of the company is utilized at 36 per cent over the six months ended March, 2022. The cash and bank balances of the company stood at Rs.1.10 Cr (estimated) as on March 31, 2022. The current ratio stood comfortable at 1.86 times (estimated) as on March 31, 2022 as compared to 1.31 times as on March 31, 2021. Moreover, the working capital management of the company is efficient in nature marked by Gross Current Assets (GCA) of 77 days (estimated) as on March 31, 2022 as compared to 107 days in 31st March 2021. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook of SFPL will remain 'Stable' over the medium term on account of the experienced management, steady business risk profile and the above average financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	195.83	287.87
PAT	Rs. Cr.	5.61	6.38
PAT Margin	(%)	2.86	2.22
Total Debt/Tangible Net Worth	Times	0.73	0.94
PBDIT/Interest	Times	7.45	7.46

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Apr 2021	Proposed Bank Facility	Short Term	0.42	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	0.30	ACUITE A4+ (Reaffirmed)
	Standby Line of Credit	Short Term	2.60	ACUITE A4+ (Reaffirmed)
	Packing Credit	Long Term	21.50	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Bank Guarantee	Short Term	0.30	ACUITE A4+ (Reaffirmed)

20 Jan 2020	Standby Line of Credit	Short Term	2.60	ACUITE A4+ (Reaffirmed)
	Post Shipment Credit	Long Term	21.50	ACUITE BB Stable (Upgraded from ACUITE BB-)
	Proposed Standby Line of Credit	Short Term	0.42	ACUITE A4+ (Assigned)
13 Dec 2019	Post Shipment Credit	Long Term	13.00	ACUITE BB- (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	Post Shipment Credit	Long Term	13.00	ACUITE BB Stable (Upgraded from ACUITE BB- Stable)
	Bank Guarantee	Short Term	0.22	ACUITE A4+ (Reaffirmed)
	Standby Line of Credit	Short Term	1.60	ACUITE A4+ (Reaffirmed)
13 Jul 2017	Post Shipment Credit	Long Term	8.00	ACUITE BB- Stable (Assigned)
	Post Shipment Credit	Long Term	5.00	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	0.94	ACUITE BB- Stable (Withdrawn)
	Standby Line of Credit	Short Term	1.60	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	0.22	ACUITE A4+ (Reaffirmed)
19 Sep 2016	Post Shipment Credit	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	0.30	ACUITE A4+ Reaffirmed
State Bank of India	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	21.50	ACUITE BB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.42	ACUITE A4+ Reaffirmed
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	2.60	ACUITE A4+ Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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