

**Press Release**  
**SEA FOODS PRIVATE LIMITED**  
**September 27, 2023**  
**Rating Reaffirmed**



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

**Rating Rationale**

Acuite has reaffirmed its long term rating of 'ACUITE BB+' (read as ACUITE double B plus) and its 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 (SFPL). The outlook remains 'Stable'.

**Rationale for rating reaffirmation**

The rating reaffirmation factors in the company's healthy operating income levels coupled with improvement in the profitability margins. The rating also considers the support from the experienced management, the long track record of operations and the above average financial risk profile of SFPL with gearing below unity and DSCR above 2 times. These strengths are, however, offset by the working capital intensive operations of the company marked by moderate GCA days of 113 days in FY2023 (Provisional) and the exposure to risks related to the sea food industry and exchange rate fluctuations.

**About the Company**

Incorporated in 1992, Sea Foods Private Limited (SFPL) is managed by Mr. Krishnendu Jana and Ms. Subal Kumar Jana. 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 company's processing facility is located at Shankarpur (West Bengal).

**Standalone (Unsupported) Rating**

Not Applicable

**Analytical Approach**

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

**Key Rating Drivers**

**Strengths**

**Steady business risk profile aided by experienced management**

The operations of the company are aided by the extensive experience of the promoters Mr. Krishnendu Jana and Ms. Subal Kumar Jana, who possess around three decades of industry knowledge. With the assistance of the promoters, SFPL has established a long presence in the industry, spanning over two decades.

The business risk profile of the company is steady marked by healthy revenues and improvement in the profitability margins. The company has achieved revenues of Rs. 213.38 Cr

in FY2023 (Provisional) as against Rs. 229.21 Cr in FY2022. The scale of operations moderated slightly due to decline in the total exports by the company.

The operating margin of the company improved to 5.68 per cent in FY2023 (Provisional) from 4.99 per cent in FY2022 owing to decline in the operative costs such as freight, clearing and forwarding charges. The PAT margin remained at 2.95 per cent in FY2023 (Provisional) in line with last year i.e., 2.94 per cent in FY2022.

Acuité believes that the scale of operations of the company will remain healthy over the medium term supported by steady demand for the products.

### **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. 34.49 Cr as on March 31, 2023 (Provisional) from Rs. 28.18 Cr as on March 31, 2022 due to accretion of reserves. Gearing of the company stood comfortable at 0.66 times as on March 31, 2023 (Provisional) as against 0.18 times as on March 31, 2022. The moderation in the leverage ratios are due to addition of Guaranteed Emergency Credit Line (GECL) loans in FY2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.08 times as on March 31, 2023 (Provisional) as against 0.91 times as on March 31, 2022. The healthy debt protection metrics is marked by Interest Coverage Ratio at 5.41 times as on March 31, 2023 (Provisional) and Debt Service Coverage Ratio at 3.36 times as on March 31, 2023 (Provisional). The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.32 times as on March 31, 2023 (Provisional).

Acuité believes that going forward the financial risk profile will remain above average over the medium term, in the absence of any major debt funded capex plans.

### **Weaknesses**

#### **Working capital Intensive nature of operations**

The company's working capital management is intensive in nature marked by moderate Gross Current Assets (GCA) of 113 days as on March 31, 2023 (Provisional) as compared to 64 days in 31st March 2022. The rise in the GCA days are on account of increase in the debtor cycle over the same period. The debtor period rose to 71 days as on March 31, 2023 (Provisional) as compared to 43 days as on 31st March 2022 since bills raised were not realized towards the year end. However, the inventory period stood at 11 days as on March 31, 2023 (Provisional) in line with last year i.e., 12 days as on 31st March 2022 due to the easy availability of raw material.

Acuité believes that the working capital operations of the company will remain at similar levels as evident from the moderate collection mechanism and low inventory level over the medium term.

#### **Susceptibility to foreign 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. Although, there is no instance of losses in the recent past, but the company remains susceptible to foreign exchange rate fluctuations over the medium term.

#### **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**

- Growth in the scale of operations while increase in the profitability margins
- Improvement in financial risk profile
- Further elongation of the working capital cycle

### **All Covenants**

None

### **Liquidity Position: Adequate**

The company's adequate liquidity position is marked by steady net cash accruals of Rs. 7.38 Cr as on March 31, 2023 (Provisional) as against long term debt repayment of only Rs. 0.62 Cr over the same period. The current ratio stood comfortable at 2.06 times as on March 31, 2023 (Provisional) as compared to 1.86 times as on March 31, 2022. However, the fund based limit utilisation of the company stood moderately high at 83 per cent over the seven months ended July, 2023. The working capital management of the company is intensive in nature marked by Gross Current Assets (GCA) of 113 days as on March 31, 2023 (Provisional) as compared to 64 days in 31st March 2022.

Acuité believes that, going forward, the liquidity position of the company will remain adequate backed by steady accruals and absence of any debt laden capital expenditure plans.

### **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 along with sustained improvement in the financial risk profile and liquidity profile. 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.

### **Other Factors affecting Rating**

None

## Key Financials

| Particulars                   | Unit    | FY 23 (Provisional) | FY 22 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income              | Rs. Cr. | 213.38              | 229.21         |
| PAT                           | Rs. Cr. | 6.30                | 6.74           |
| PAT Margin                    | (%)     | 2.95                | 2.94           |
| Total Debt/Tangible Net Worth | Times   | 0.66                | 0.18           |
| PBDIT/Interest                | Times   | 5.41                | 9.55           |

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

Not Applicable

### 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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

## Rating History

| Date        | Name of Instruments/Facilities  | Term       | Amount (Rs. Cr) | Rating/Outlook   |
|-------------|---------------------------------|------------|-----------------|--|
| 13 Jul 2022 | FBN/FBP/FBD/PSFC/FBE            | Long Term  | 21.50           | ACUITE BB+   Stable (Reaffirmed)                       |
|             | Bank Guarantee                  | Short Term | 0.30            | ACUITE A4+ (Reaffirmed)                                |
|             | Proposed Bank Facility          | Short Term | 0.42            | ACUITE A4+ (Reaffirmed)                                |
|             | Standby Line of Credit          | Short Term | 2.60            | ACUITE A4+ (Reaffirmed)                                |
| 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) |
| 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)                                  |
|             | Bank Guarantee                  | Short Term | 0.30            | ACUITE A4+ (Reaffirmed)                                |

## Annexure - Details of instruments rated

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

## Contacts

| Analytical   | Rating Desk  |
|--|--|
| Mohit Jain<br>Senior Vice President-Rating Operations<br>Tel: 022-49294017<br><a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a><br><br>Geeta Karira<br>Analyst-Rating Operations<br>Tel: 022-49294065<br><a href="mailto:geeta.karira@acuite.in">geeta.karira@acuite.in</a> | Varsha Bist<br>Senior Manager-Rating Operations<br>Tel: 022-49294011<br><a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a> |

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité.