



Press Release
Sea Foods Private Limited
December 24, 2024
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Total Withdrawn Quantum (Rs.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 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 company benefits from over two decades of industry presence and the extensive experience of its promoters, Mr. Krishnendu Jana and Ms. Subal Kumar Jana, who have around three decades of industry knowledge. The company's revenues slightly decreased to Rs. 197.08 Cr. in FY2024 from Rs. 213.72 Cr. in FY2023 due to scarcity of raw materials and reduction in exports although operating margins improved to 6.21% from 5.66%. The PAT margin remained stable at 3.11%. The financial risk profile is moderate with an increasing net worth of Rs. 40.61 Cr. in FY2024, comfortable gearing at 0.47 times, and healthy debt protection metrics including an Interest Coverage Ratio of 4.70 times and a Debt Service Coverage Ratio of 3.01 times. The company's liquidity is adequate with net cash accruals of Rs. 7.17 Cr. in FY2024 and a current ratio of 1.90 times. However, working capital management is intensive, with Gross Current Assets of 122 days in FY2024, up from 100 days in FY2023, mainly due to an increase in the debtor cycle.

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).

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

Established operations and experienced management

The company has established a long presence in the marine product industry spanning over two decades. The operations 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. Acuité believes that the vintage of the promoters and the long-standing operations of the company will continue to support the growth plans going forward.

Steady scale of operations

The company's scale of operations remained healthy, although, the revenues moderated slightly to Rs. 197.08 Cr. in FY2024 from Rs. 213.72 Cr. in FY2023 due to decline in the total exports by SFPL due to scarcity of raw materials. However, the operating margin of the company improved to 6.21 per cent in FY2024 from 5.66 per cent in FY2023 owing to decline in the operative costs such as freight, clearing and forwarding charges. Freight costs have reduced since there is excess supply of carriers. The PAT margin improved to 3.11 per cent in FY2024 compared to 2.94 per cent in FY2023. Acuité believes that the scale of operations of the company will remain healthy over the medium term supported by steady demand for the products.

Moderate financial risk profile

The moderate 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. 40.61 Cr. as on FY2024 from Rs. 34.47 Cr. as on FY2023 due to accretion of reserves. Gearing of the company stood comfortable at 0.47 times as on FY2024 as against 0.66 times as on FY2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.13 times as on FY2024 as against 1.18 times as on FY2023. The healthy debt protection metrics is marked by Interest Coverage Ratio at 4.70 times as on FY2024 and Debt Service Coverage Ratio at 3.01 times as on FY2024. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.38 times as on FY2024. 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 122 days as on FY2024 as compared to 100 days on FY2023. The rise in the GCA days is on account of increase in the debtor cycle over the same period. The debtor period rose to 90 days as on FY2024 as compared to 75 days as on FY2023, though the debtor days are usually 30-45 days. The debtors are high since the major sales are in the last two quarters of the financial year along with increase in new customers. However, 60% sales are LC backed and remaining receivable from USA are received within 60 days. The inventory period stood at 15 days as on FY2024 compared to 10 days as on FY2023, due to the easy availability of raw material. Sales are made whenever prices are appropriate and hence SFPL holds inventory in their cold storage. Creditor days are usually 30-35 days and excess cash and bank balance reduce pressure on the working capital requirements of SFPL. However, utilisation for EPC facility increases during peak season to almost 100%. 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

Liquidity Position Adequate

The company's liquidity is adequate marked by steady net cash accruals of Rs. 7.17 Cr. as on FY2024 as against long term debt repayment of only Rs. 0.79 Cr. over the same period. The cash and bank balances of the company stood at Rs. 7.64 Cr. as on FY2024. The current ratio stood comfortable at 1.90 times as on FY2024 as compared

to 1.77 times as on FY2023. However, the working capital management of the company is intensive in nature marked by Gross Current Assets (GCA) of 122 days as on FY2024 as compared to 100 days in FY2023. Acuité believes that, going forward, the liquidity position of the company will remain adequate due to steady accruals.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	197.08	213.72
PAT	Rs. Cr.	6.14	6.28
PAT Margin	(%)	3.11	2.94
Total Debt/Tangible Net Worth	Times	0.47	0.66
PBDIT/Interest	Times	4.70	5.23

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

Not Applicable

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>
- 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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
27 Sep 2023	Stand By Line of Credit	Short Term	2.60	ACUITE A4+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	0.42	ACUITE A4+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	0.30	ACUITE A4+ (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Long Term	21.50	ACUITE BB+ Stable (Reaffirmed)
13 Jul 2022	Stand By Line of Credit	Short Term	2.60	ACUITE A4+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	0.42	ACUITE A4+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	0.30	ACUITE A4+ (Reaffirmed)
	FBN/FBP/FBD/PSFC/FBE	Long Term	21.50	ACUITE BB+ Stable (Reaffirmed)
16 Apr 2021	Bank Guarantee (BLR)	Short Term	0.30	ACUITE A4+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	0.42	ACUITE A4+ (Reaffirmed)
	Stand By Line of Credit	Short Term	2.60	ACUITE A4+ (Reaffirmed)
	PC/PCFC	Long Term	21.50	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)

Annexure - Details of instruments rated

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

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About Acuité Ratings & Research

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