

Britto Seafoods Exports Private Limited: Assigned

Facilities	Amount (Rs Crore)	Ratings/Outlook
Proposed Term Loan	7.00	SMERA BB-/Stable (Assigned)
Export Packing Credit	17.00	SMERA A4 (Assigned)
Proposed Export Packing Credit	3.50	SMERA A4 (Assigned)
FBDN (NLC)	2.50	SMERA A4 (Assigned)

SMERA has assigned long term rating of '**SMERA BB-' (read as SMERA double B minus)** and short term rating of '**SMERA A4' (read as SMERA A four)** on the Rs.30.00 crore bank facilities of Britto Seafoods Exports Private Limited (BSEPL). The outlook is '**Stable**'. The ratings draw comfort from the experienced management and diversified geographic profile. However, the ratings are constrained by the below average financial profile marked by low profitability, high gearing and low coverage indicators. The ratings also factor in the susceptibility of margins to risks inherent in the seafood industry and forex fluctuations.

BSEPL established in 1995, is engaged in the processing and export of sea food. The company benefits from its experienced management, who possess more than four decades of experience in the sea food industry. The company has a diversified geographical base since it exports around 70 per cent of its products to USA, Dubai, Italy, Kuwait and Hongkong.

BSEPL has below average financial profile marked by low operating profitability at around 2.66 per cent in FY2016. The gearing stood high at around 2.91 times as on March 31, 2016 and interest coverage stood low at 1.76 times in FY2016. Further, the company has plans to set up an Individual Quick Freezing (IQF) plant, expected to cost around Rs.13.00 crore to be funded through a term loan of Rs.5.40 crore, subsidy of Rs.5.00 crore and promoter's contribution of Rs.2.60 crore. Financial closure and subsidy approval is yet to be achieved. The operations are expected to commence from June, 2017. SMERA believes that the addition of debt is likely to keep the gearing at high levels.

The company's business is highly exposed to fluctuations in foreign exchange rates and changes in government policies in the exporting countries. The ratings also note the inherent risks associated with the seafood industry such as susceptibility to diseases and climatic changes.

Rating Sensitivity Factors

- Scaling up operations and profitability
- Debt funded capex plan
- Comfortable capital structure

Criteria applied to arrive at the rating:

- Manufacturing Entities

Outlook-Stable

SMERA believes that BSEPL will maintain a stable outlook over the medium term owing to its promoters' industry experience. The outlook may be revised to 'Positive' in case of sustainable improvement in its scale of operations while maintaining profitability and comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' if revenue and profitability decline or if

the financial risk profile weakens because of stretch in working capital cycle or large debt-funded capital expenditure.

About the Company

BSEPL was established in 1995 as a partnership firm by Mr. John Britto and Ms. Sushila Christian. It was reconstituted as a private limited company in October 2008. The company is engaged in the processing and export of seafood - live seafood, fresh chilled seafood, frozen seafood and ready-to-eat products. The company sources its products from Tuticorin, Pondicherry and Chennai and exports to Middle East, USA, Singapore and Europe.

For FY2015-16, BSEPL reported profit after tax (PAT) of Rs.0.32 crore on operating income of Rs.101.64 crore, as compared with PAT of Rs.0.52 crore on operating income of Rs.77.72 crore in FY2014-15.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1156 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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