

Press Release

Jagadeesh Marine Exports

March 17, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 71.40 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-** (read as **SMERA BBB minus**)' and short term rating of '**SMERA A3+**' (read as **SMERA A three plus**) on the Rs. 71.40 crore bank facilities of Jagadeesh Marine Exports. The outlook is '**Stable**'.

Established in 1998 as a partnership firm by Mr. Thota Jagadeesh, Jagadeesh Marine Exports (JME) is engaged in the processing and export of shrimps at Bhimavaram town, Andhra Pradesh. The firm generates around 65 percent revenue from shrimp export to USA with the balance from Netherland, UK, UAE, Vietnam among others.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

JME was established in 1998 by Mr. Thota Jagadeesh. The partners have over 25 years of experience in the processing and export of shrimps.

- **Comfortable working capital cycle**

JME has comfortable working capital cycle marked by gross current asset days of 75 in FY2016 as against 92 in FY2015. The gross current asset days mainly comprises inventory of 87 days in FY2016 as against 61 days in FY2015. The bank limit utilisation has been around 80 per cent in the last six months.

- **Healthy financial risk profile**

The healthy financial risk profile is marked by comfortable net worth base of Rs 21.50 cr, moderate debt-equity of 1.76 times, comfortable interest coverage ratio of 3.70 times and DSCR of 3.06 times as on 31st March, 2016. The TOL/TNW stood at 2.07 times as on 31st March, 2016.

- **Established relationship with customers**

The firm has established relationship of over five years with customers in USA, Canada, Vietnam, Netherland, United Kingdom among others.

Weaknesses

- **Risk of climatic changes**

JME is exposed to risks inherent in the seafood industry such as susceptibility to diseases, climate change and unfavourable government policies.

- **Intense competition from domestic and international players**

The firm operates in a highly fragmented shrimp export industry with large number of domestic and international players.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of JME.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook over the medium term owing to its partners' extensive experience in the processing and export of shrimps. The outlook may be revised to 'Positive' in case of substantial and sustained increase in revenue or profitability margins. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue or profitability margins or deterioration in its capital structure owing to stretch in the working capital cycle.

About the Rated Entity - Key Financials

For FY2016, JME reported Profit after Tax (PAT) of Rs.3.29 cr on total operating income of Rs.188.21 cr as compared with PAT of Rs.7.62 cr on total operating income of Rs.243.50 cr in FY2015.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	35.00	SMERA A3+
Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A3+
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	22.00	SMERA BBB- / Stable
Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	4.40	SMERA BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A3+

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