

Press Release

Jagadeesh Marine Exports

March 23, 2019



Rating Downgraded and Assigned

Total Bank Facilities Rated*	Rs. 89.40 Cr. (Enhanced from Rs 71.40 crore)
Long Term Rating	ACUITE BB+ / Outlook: Stable (Assigned)
Short Term Rating	ACUITE A4+ (Downgraded from ACUITE A3+)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and downgraded short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A3+**' (read as **ACUITE A three plus**) to Rs 89.40 crore bank facilities of JAGADEESH MARINE EXPORTS (JME). The outlook is '**Stable**'.

In addition, Acuite has withdrawn the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs.26.40 crore bank facilities of JME.

The downgrade is on account of deterioration in the capital structure due to higher reliance on working capital to fund its operations and withdrawal of capital to the extent of Rs.4.74 crore in FY 2018 resulting in deterioration in the debt-equity ratio. Further, Acuite expects dip in revenue in FY 2018 where the firm has achieved Rs.198.00 crore till December, 2018 (Provisional). The dip in revenue is likely to result in lower cash accruals in FY 2018-19.

About the firm

Established in 1998 as a partnership firm by Mr. Thota Jagadeesh, JME is engaged in the processing and export of shrimps at Bhimavaram town (Andhra Pradesh). The firm generates around 50 percent revenue from shrimp export to USA with the balance from Netherland, UK, UAE and Vietnam, among others.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of JME to arrive at this rating.

Key Rating Drivers

Strengths

- Experienced management and long track record**

The firm has a long track record of over two decades in shrimp processing business. JME was established by Mr. Thota Jagadeesh. In addition, the operations are currently managed by three other partners, namely, Mrs. Thota Sirresha, Mrs. R Lakshmi and Mrs. D. Vani.

- Established relationship with customers**

Being present in the business for over two decades has resulted in establishing strong relationship with customers and suppliers. The firm generates around 50 percent revenue from shrimp export to USA with the balance from Netherland, UK, UAE and Vietnam, among others.

Weaknesses

- Deterioration in financial risk profile**

The financial risk profile has deteriorated in FY 2018 on account of withdrawal of capital resulting in weakening of the capital structure. Further, higher reliance on working capital to fund its operations has

resulted in the deterioration in the debt-equity ratio. The net worth of the firm decreased to Rs.19.68 crore as on 31 March, 2018 as against Rs.24.42 crore in the previous year. Gearing (Debt-equity) stood high at 4.13 times as on March 31, 2018 as compare to 2.90 times in the previous year. However, the debt protection metrics is comfortable reflected from interest coverage ratio of 2.86 times in FY2018 as against 2.58 times in FY2017. DSCR stood at 2.39 times in FY2018 as compared to 2.22 times a year earlier.

• **Moderate working capital management**

The operations of the firm are moderately working capital intensive reflected from the GCA of 129 days in FY 2018 as against 110 days in FY 2017. The GCA days are on account of inventory of 77 days as on 31 March, 2018 as compare to 95 days as on 31 March, 2017. The debtor days increased to 44 days as on 31 March, 2018 as compare to 18 days in the previous year. The rise in debtor days are on account of change in the credit policy where the firm has liberalised its credit terms with customers on account of stiff competition in the market. However, average utilisation has remained comfortable at ~ 72 per cent during six months ended November, 2018.

• **Presence in highly fragmented and competitive shrimp export industry**

The firm operates in a highly fragmented nature of shrimp export industry with large number of player present in the market.

Liquidity:

The firm's has healthy liquidity profile marked by net cash accruals in the range of ~Rs.7 crore in FY2018 crore against debt obligation of Rs 0.07 crore. The fund based working capital limit remains utilised at ~ 72 per cent during the six months period ended November 2018.

Outlook: Stable

Acuite believes that JME will maintain 'Stable' outlook over the medium term from experienced management. The outlook may be revised to 'Positive' in case the firm registers growth in revenues while improving its profitability and working capital management. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in revenue and profitability, thereby deterioration in financial risk profile or if the working capital cycle further elongates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	298.67	247.06	188.41
EBITDA	Rs. Cr.	14.45	12.93	10.32
PAT	Rs. Cr.	4.48	3.41	3.29
EBITDA Margin	(%)	4.84	5.23	5.48
PAT Margin	(%)	1.50	1.38	1.75
ROCE	(%)	12.22	13.39	26.77
Total Debt/Tangible Net Worth	Times	4.13	2.90	1.76
PBDIT/Interest	Times	2.86	2.58	3.71
Total Debt/PBDIT	Times	5.58	5.40	3.60
Gross Current Assets (Days)	Days	129	110	92

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
02-June-2018	PC/PCFC	Short Term	35.00	ACUITE A3+ Issuer not cooperating*
	Stand By Line of Credit	Short Term	7.00	ACUITE A3+ Issuer not cooperating*
	FBN/FBP/FBD/PSFC /FBE	Long Term	22.00	ACUITE BBB- Issuer not cooperating*
	Stand By Line of Credit	Long Term	4.40	ACUITE BBB- Issuer not cooperating*
	Bank guarantee/Letter of Guarantee	Short Term	3.00	ACUITE A3+ Issuer not cooperating*
17-March-2017	PC/PCFC	Short Term	35.00	ACUITE A3+ (Assigned)
	Stand By Line of Credit	Short Term	7.00	ACUITE A3+ (Assigned)
	FBN/FBP/FBD/PSFC /FBE	Long Term	22.00	ACUITE BBB- /Stable (Assigned)
	Stand By Line of Credit	Long Term	4.40	ACUITE BBB- /Stable (Assigned)
	Bank guarantee/Letter of Guarantee	Short Term	3.00	ACUITE A3+ (Assigned)

*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/FDB	Not Applicable	Not Applicable	Not Applicable	72.00	ACUITE BB+/Stable (Assigned)
Stand By Limit- Packing Credit	Not Applicable	Not Applicable	Not Applicable	14.40	ACUITE A4+ (Downgraded from ACUITE A3+)
FBN/FBP/FBD/PSFC /FBE	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE BBB- (Withdrawn)
Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	4.40	ACUITE BBB- (Withdrawn)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ (Downgraded from ACUITE A3+)

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About Acuite Ratings & Research:

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