

Press Release

Tolar Ocean Products Private Limited

March 11, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 18.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 18.00 crore bank facilities of Tolar Ocean Products Private Limited. The outlook is '**Stable**'.

Tolar Ocean Products Private Limited (TOPPL), incorporated in 1996 is a Karnataka-based company promoted by Mr. Prakash Tolar. The company is engaged in the processing and export of frozen seafood such as mackerel, ribbon fish, squids, shrimps and sardines.

Key Rating Drivers

Strengths

- **Diversified geographical base**

The company exports ~ 80 percent of its products to Vietnam, Thailand, China, Malaysia, Japan and U.S.A.

- **Long track record of operations and experienced management**

Incorporated in 1996, the promoters have more than two decades of experience in the aforementioned line of business.

Weaknesses

- **Modest scale of operations with declining revenue trend**

The scale of operations is modest marked by operating income of Rs.45.27 cr in FY2015-16 as against Rs.53.88 cr in FY2014-15 and Rs.59.71 cr in FY2013-14. The operating income declined due to decline in sales realisation.

- **Average financial risk profile**

The financial risk profile is average marked by gearing (debt -to- equity) of 3.26 times as on 31 March, 2016. The total debt mainly consists of working capital borrowings. TOPPL has average coverage indicators with ICR (interest coverage) of 1.97 times in FY2015-16. The tangible net worth stood at 5.49 times as on 31 March, 2016.

- **Susceptibility of profit margins to exchange rate fluctuations**

Since the company is into exports it is exposed to exchange rate fluctuation risk which affects its margins.

- **Susceptibility to risks inherent in the seafood industry**

The company is vulnerable to the risks inherent in the seafood industry such as susceptibility to diseases, climate changes, unfavourable government policies among others.

• Working capital intensive operations:

The operations are working capitals intensive reflected in the GCA of 206 days in FY2016. The GCA days are high due to inventory of 179 days in FY2016. The average utilisation of working capital limit stood at 100 percent for FY2015-16.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles to arrive at the rating.

Outlook: Stable

SMERA believes that TOPPL will maintain a stable outlook and continue to benefit over the medium term from its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case of sustainable improvement in the company's scale of operations, while it maintains its profitability and comfortable financial risk profile. Conversely, the outlook may be revised to 'Negative' if the revenue and profitability decline or the financial risk profile weakens, because of stretch in working capital cycle or large debt-funded capex undertaken.

About the Rated Entity - Key Financials

In FY2015-16, the company reported profit after tax (PAT) of Rs.0.42 cr on operating income of Rs.45.27 cr, as compared with PAT of Rs.0.58 cr on operating income of Rs.53.88 cr in FY2014-15. The net worth stood at Rs.5.49 cr as on March 31, 2016 against Rs.5.06 cr a year earlier.

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B+ / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	14.00	SMERA A4

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations	Varsha Bist Sr. Executive

<p>Tel: 022-67141190 vinayak.nayak@smera.in</p> <p>Pranali Salgaonkar Rating Analyst Tel: 022-67141127 pranali.salgaonkar@smera.in</p>	<p>Tel: 022-67141160 varsha.bist@smera.in</p>
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