

Press Release

Tolar Ocean Products Private Limited (TOPPL)

27 February, 2018



Rating Upgraded, Withdrawn and Assigned

Total Bank Facilities Rated*	Rs. 22.00 Cr. (Enhanced from Rs. 18.00)
Long Term Rating	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Short Term Rating	SMERA A4+ (Upgraded from SMERA A4)

** Refer Annexure for details*

Rating Rationale

SMERA has upgraded the long-term rating to **'SMERA BB-' (read as SMERA double B minus)** from **'SMERA B+' (read as SMERA B plus)** and short term rating to **'SMERA A4+' (read as SMERA A four plus)** from **'SMERA A4' (read as SMERA A four)** on the Rs. 20.00 crore bank facilities of Tolar Ocean Products Private Limited (TOPPL). The outlook is **'Stable.'**

Further, SMERA has assigned long term rating of **'SMERA BB-' (read as SMERA double B minus)** on the Rs. 2.00 crore bank facilities and withdrawn the long term rating of **'SMERA B+/Stable' (read as SMERA B plus)** on the Rs.2.00 crore facilities of TOPPL.

The upgrade is in view of the improvement in the scale of operations of the company. SMERA believes that TOPPL will sustain its existing business profile on the back of its established track record of operations and healthy customer relations over the near to medium term.

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

Key rating drivers

Strengths

Established track record of operations and experienced management

TOPPL was incorporated in 1996 by Mr. Prakash. C. Tolar (Director) and Mrs. Savitha Tolar who possess over three decades of experience in the said line of business.

The company exports around 70 percent of its products to Vietnam, Thailand, China, Malaysia, Japan and U.S.A.

Improvement in scale of operations

The scale of operations registered improvement during FY2015 to FY2017.

The operating income stood at Rs.67.77 crore in FY2016-17 as against Rs.45.27 crore in FY2015-16 and Rs.53.88 crore in FY2014-15. Further, the company generated Rs. 16.00 crore from the domestic market and Rs.43 crore from exports during April to January 2018 (Provisional). SMERA believes that the company will sustain growth in revenue owing to its established operations in the sea food business.

Weaknesses

Average financial risk profile

TOPPL has average financial risk profile marked by gearing of 3.04 times as on 31 March, 2017 as against 3.26 times as on 31 March, 2016. The total debt mainly consists of working capital borrowings. TOPPL has average coverage indicators with Interest Coverage Ratio of 1.89 times in FY2016-17 and 1.97 times in FY2015-16.

The tangible net worth stood at an average 6.00 times as on 31 March, 2017. The return indicator has been moderate marked by return on capital employed at 12.45 percent for FY2016-17.

Foreign exchange fluctuation risk

The company exports its products to Vietnam, Thailand, China, Malaysia and other countries exposing itself to exchange rate fluctuations thereby affecting its margins.

Susceptibility to risks inherent in the seafood industry

The company remains vulnerable to the inherent risks in the seafood industry. These include susceptibility to diseases, climate changes, adverse changes in policies among others.

Working capital intensive operations

TOPPL's working capital intensive operations are reflected in the GCA of 134 days in FY2017 as compared to 198 days in FY2016. The GCA days are high due to inventory of 108 days in FY2017 and 179 days in FY2016. The average utilisation of working capital borrowings stood at ~98 percent for FY2016-17.

Analytical approach:

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

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	67.77	45.27	53.88
EBITDA	Rs. Cr.	3.28	3.22	3.91
PAT	Rs. Cr.	0.51	0.42	0.58
EBITDA Margin	(%)	4.84	7.12	7.26
PAT Margin	(%)	0.75	0.94	1.08
ROCE	(%)	12.45	9.61	23.78
Total Debt/Tangible Net Worth	Times	3.04	3.26	3.77
PBDIT/Interest	Times	1.89	1.97	1.94
Total Debt/PBDIT	Times	4.76	5.47	4.81
Gross Current Assets (Days)	Days	134	198	162

Any other information:

Not Applicable

Applicable Criteria

- Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>
- Trading Entities: <https://www.smera.in/criteria-trading.htm>

Note on complexity levels of the rated instrument

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

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

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
11-Mar, 2017	Cash Credit	Long Term	2.00	SMERA B+/Stable (Assigned)
	Term Loans	Long Term	2.00	SMERA B+/Stable (Assigned)
	PC/PCFC	Short Term	14.00	SMERA A4 (Assigned)

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B+/Stable (Withdrawn)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	18.00	SMERA A4+ (Upgraded from SMERA A4)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA BB-/Stable (Assigned)

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ABOUT SMERA

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