

Press Release

Tolar Ocean Products Private Limited

March 14, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.22.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.22.00 crore bank facilities of Tolar Ocean Products Private Limited (TOPPL). The outlook is '**Stable**'.

Tolar Ocean Products Private Limited (TOPPL) incorporated in the year 1996 is a Karnataka based company promoted by Mr. Prakash Tolar. The company is engaged in processing and export of frozen and chilled seafood (Indian Mackerel, Ribbon Fish, Squid, Sardine, Cuttlefish, Vannamei Shrimps). TOPPL sources its products from Goa, Andhra Pradesh, Kerala, Karnataka, Ratnagiri, Karwar and Mumbai and primarily exports to the countries like Vietnam, Thailand, Bangkok, China, and Malaysia.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established presence in the sea food industry**

The promoter, Mr. Prakash Tolar has an extensive experience in the sea food trading segment for more than two decades. The extensive experience of the promoters and the established presence in the industry has helped the company to generate healthy relations with various customers and suppliers in both domestic as well as global market. The company has global customer base spread across Vietnam, Thailand, Bangkok, China, and Malaysia among others.

Acuite believes that TOPPL will continue to benefit from the promoter's established presence in the seafood industry and its improving its business risk profile over the medium term.

Weaknesses

- **Average financial risk profile**

TOPPL has average financial risk profile is marked by moderate capital structure and debt protection metrics. The net worth stood at around Rs.6.77 crore as on 31 March 2018 as against Rs.6.00 crore as on 31 March 2017. The gearing has improved marginally but stood high at 2.94 times as on 31 March 2018 as against 3.04 times as on March, 2017. The total debt of Rs.19.88 crores as on 31 March 2018 mainly consists of term loan of Rs.3.72 crore, unsecured loans of Rs.0.69 crore and working capital borrowings of Rs.15.47 crore. Total Outside Liabilities to Tangible Net Worth (TOL/TNW) stood high at 3.90 times as on 31 March 2018 from 3.97 times as on 31 March 2017.

Acuite believes ability of the company to improve its capital structure by improvement in the net worth will be a key rating sensitivity.

- **Moderate working capital management**

The Company has moderate working capital operations as evident from its Gross Current Assets (GCA) of 137 days for FY2018 as against 134 days as on FY2017. The GCA are mainly dominated by inventory of 127 days for FY2018 as against 108 days for FY2017 while the receivable days are in the range of 15-30 days. On the other hand, the company gets the credit period of around 20-30 days from its suppliers. The working capital limits were 80 percent utilized for past six months ended February 2019.

Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• Susceptibility to risks inherent in the seafood industry

TOPPL registered operating income of Rs.67.82 crore in FY2018 as against Rs.67.77 crore in FY2017. The stagnant revenues are mainly on account of cyclicity in the seafood industry. The company remains vulnerable to the inherent risks in the seafood industry. These include susceptibility to diseases, climate changes, and adverse changes in policies among others.

The company exports its produce mainly to Vietnam, Thailand, China, Malaysia among others which contributes to around 70 percent of the total revenues thereby rendering it the risk associated with foreign exchange fluctuations for the unhedged portion of exports.

Liquidity position

TOPPL has moderate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company has generated cash accruals of Rs.1.44 crore -1.94 crore during the last three years through 2017 - 18 while the maturing debt obligations are Rs.0.60-1.10 crores. The cash accruals of the TOPPL are estimated to remain around Rs.2.00 to 3.00 crore, while its repayment obligations are estimated to be around 0.50 crore-1.00 crore during 2019-21. The TOPPL's operations are relatively working capital intensive as marked by Gross Current Assets (GCA) of 137 days in FY 2018. The working capital limits were utilized at around 80 percent during the last 6-month period ended February 2019. The current ratio of the TOPPL stood at 1.42 times as on March 31, 2018.

Outlook: Stable

Acuite believes that TOPPL will maintain a 'Stable' outlook and benefit over the medium term owing to its promoters' extensive experience in the Seafood industry and established relations with clientele. The outlook may be revised to 'Positive' if the net cash accruals increase substantially with improvement in capital structure. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve scalability and liquidity or the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded expansion and working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	67.82	67.77	45.27
EBITDA	Rs. Cr.	3.83	3.28	3.22
PAT	Rs. Cr.	0.77	0.51	0.42
EBITDA Margin	(%)	5.64	4.84	7.12
PAT Margin	(%)	1.14	0.75	0.94
ROCE	(%)	12.17	12.45	19.55
Total Debt/Tangible Net Worth	Times	2.94	3.04	3.26
PBDIT/Interest	Times	2.09	1.89	1.97
Total Debt/PBDIT	Times	4.67	4.76	5.47
Gross Current Assets (Days)	Days	137	134	198

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading entities - <http://acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
27-Feb-18	Cash Credit	Long term	2.00	ACUITE BB-/Stable (Upgraded from ACUITE B+/Stable)
	Term Loan	Long Term	2.00	ACUITE B+ (Withdrawn)
	Term Loan	Long Term	2.00	ACUITE BB-/Stable (Assigned)
	Packing Credit	Short Term	18.00# (Enhanced from Rs.14.00 crore)	ACUITE A4+ (Upgraded from ACUITE A4)
11-Mar-17	Term Loan	Long term	2.00	ACUITE B+/Stable (Assigned)
	Cash Credit	Long term	2.00	ACUITE B+/Stable (Assigned)
	Packing Credit	Short Term	14.00#	ACUITE A4 (Assigned)

#Includes Sublimit of FDBN / FDBP/ FDBD to the extent of Rs.4.50 crore

*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	ACUITE BB-/Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB-/Stable (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	18.00#	ACUITE A4+ (Reaffirmed)

#Includes Sublimit of FDBN / FDBP/ FDBD to the extent of Rs.4.50 crore

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About Acuité Ratings & Research:

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