

Press Release

Tolar Ocean Products Private Limited

February 07, 2023



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	4.00	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	18.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	24.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

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

Acuite has also assigned the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs.2.00 Cr bank facilities of Tolar Ocean Products Private Limited (TOPPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation of TOPPL takes into account experienced management and established track record of operations along with an increase in revenue reported in FY2022 as against FY2021 post relaxation in covid restrictions. The rating is however constrained by the company's below average financial risk profile marked by low networth, high gearing and average debt protection metrics. The rating is further constrained by the company's elongated working capital cycle on account of high inventory levels, stretched liquidity and declining operating profitability. Going forward, ability of the company to improve its financial risk profile along with ability to improve its working capital cycle and to improve its scale of operations while improving operating profitability will remain a key rating sensitivity factor.

About the Company

TOPPL, incorporated in the year 1996, is a Karnataka-based company promoted by Dr. Prakash Tolar. The company is engaged in processing and export of frozen and chilled seafood, primarily various types of fishes. TOPPL sources its products from Goa, Andhra Pradesh, Kerala, Karnataka, Ratnagiri, Karwar and Mumbai and primarily exports it to the countries like Vietnam, Thailand, Bangkok, China, and Malaysia. The export shipment is done through Mangalore port.

Acuité has taken the standalone view of the business and financial risk profile of TOPPL to arrive at the rating.

The operations of TOPPL are moderately working capital intensive marked by its Gross Current Assets (GCA) of 162 days for FY2022 which stood moderately high albeit improved against 246 days for FY2021. This is due to inventory cycle of the company which stood at 164 days in FY2022 as against 246 days in FY2021. The average bank limit utilization for 6 months' period ended December 2022 was moderate at ~60 percent. Further, the receivable days stood improved at 3 days in FY2022 as against 7 days in FY2021 whereas the creditor days stood at 24 days in FY2022 as against 26 days in FY2021.

High competition and susceptibility to risks inherent in the sea food industry

TOPPL operates in a highly competitive industry with the presence of a large number of organized as well as unorganized players in India. In addition to this, 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.

- Ability to maintain scale of operations while improving operating profitability
- Ability to improve financial risk profile
- Ability to improve working capital cycle

None

TOPPL has stretched liquidity position marked by low cushion in net cash accruals (NCA) against its debt repayment obligations and elongated working capital cycle. The company generated cash accruals of around Rs.1 Cr during FY2020 to FY2022 against its repayment obligation of Rs.1 Cr to Rs.2 Cr during the same period. Going forward the NCA are expected in the similar range of Rs.1 Cr to Rs.2 Cr for period FY2023-FY2024 against its repayment obligation of around Rs.2 Cr for the same period. The gap is expected to be met through infusion of funds by promoters in the form of unsecured loans. The working capital operations of the company are moderately intensive marked by its gross current asset (GCA) days of 162 days for FY2022 as against 246 days for FY2021 on account of its moderately high inventory cycle during the same period. This makes the company dependent on bank borrowings for working capital requirement. The average bank limit utilization for 6 months' period ended December 2022 stood moderately high at ~60 percent. Current ratio stands at 1.47 times as on 31 March 2022. The company has maintained low cash & bank balance of Rs.0.18 Cr in FY2022.

Acuté believes that the liquidity of TOPPL is likely to remain stretched over the medium term on account of generating low cash accruals against its debt obligations.

Acuité believes that TOPPL will maintain 'Stable' outlook over the medium term on account of its experienced management with established track record of operations. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	72.67	44.05
PAT	Rs. Cr.	0.50	0.28
PAT Margin	(%)	0.69	0.65
Total Debt/Tangible Net Worth	Times	2.59	2.75
PBDIT/Interest	Times	1.82	1.95

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

Not applicable

Any other information

None

Applicable Criteria

- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Feb 2022	Term Loan	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)
	Packing Credit	Short Term	18.00	ACUITE A4+ (Reaffirmed)
21 Dec 2020	Cash Credit	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)
	Packing Credit	Short Term	18.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUTE BB- Stable Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUTE BB- Stable Assigned
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	18.00	ACUTE A4+ Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.00	ACUTE BB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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