

Press Release

TOLAR OCEAN PRODUCTS PRIVATE LIMITED

March 01, 2024

Rating Assigned and Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	13.00	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	6.00	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	2.00	-	ACUITE A4+ Assigned
Bank Loan Ratings	18.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	39.00	-	-

Rating Rationale

Acuité 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.24.00 Cr. bank facilities of Tolar Ocean Products Private Limited (TOPPL). The outlook is 'Stable'.

Acuité has also assigned 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) to the Rs.15.00 Cr. bank facilities of Tolar Ocean Products Private Limited (TOPPL). The outlook is 'Stable'.

Rationale for rating

The rating reaffirmation of TOPPL takes into account experienced management and established track record of operations along with an increase in revenue reported in FY2023 as against FY2022. The operating revenue stood at Rs. 91.16 Cr. in FY2023 as against Rs. 72.65 Cr. in FY2022 on account of increase in the sale of its frozen fishes in both domestic and exports market. However, operating margin moderated and stood at 3.30 percent in FY2023 as against 4.24 percent in FY2022.

The rating is however constrained by the company's moderate financial risk profile marked by low networth, moderate gearing and debt protection metrics. The rating is further constrained by the company's moderately 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 with planned CAPEX and ability to improve its working capital cycle while maintaining its operating performance will remain a key rating sensitivity factor.

About the Company

Tolar Ocean products private limited (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. The company procures 80% of fish from marine (sea) remaining through aqua culture. TOPPL has freezer capacity of 100 tons, cold storage capacity of 100 tons and processing capacity of 100 tons per day. 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.

Unsupported Rating

Not applicable

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of Tolar Ocean products private limited (TOPPL) to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established presence in the sea food industry

TOPPL has an operational track record of over two decades in seafood processing. It is promoted by Dr. Prakash Tolar who possess over two decades of experience in the sea food industry. He is supported by its team of experienced professionals in managing day to day operations of TOPPL. The extensive experience of the promoter has enabled TOPPL to establish a healthy relationship with its customers and suppliers.

Acuité believes that TOPPL will continue to benefit from its experienced management and established track record of operations.

Increase in revenue albeit moderation in operating profitability

TOPPL reported an increase in its revenues to Rs.91.16 Cr in FY2023 as against Rs.72.65 Cr in FY2022 on account of increase in the sale of its frozen fishes in both domestic and exports market during the year. The exports sales contributed in the range of 60-65 percent in FY2023 and FY2022 and constituted primarily of repetitive orders from its existing customers.

Despite of increase in the overall revenue, the operating margin of the company has remained subdued at 3.30 percent in FY2023 as against 4.24 percent in FY2022. This is majorly on account of increase in the cost of raw materials required in the form of raw fishes and other packing materials along with an increase in various other administrative and selling & distribution expenses. On the other hand, the net profit margin of the company remained stable at 0.70 percent in FY2023 as against 0.69 percent in FY2022. For the current year as on 8M FY2024, company has achieved revenue of Rs.52.84 Cr.

Acuite believes with the planned CAPEX by the company, TOPPL's operating performance is expected to increase over medium term.

Weaknesses

Below Average financial risk profile

Financial risk profile of TOPPL is below average marked by low networth, moderate gearing and debt protection metrics. The networth of the company stood improved at Rs.9.22 Cr as on 31 March, 2023 as against Rs.8.58 Cr as on 31 March, 2022 on account of accretion to reserves. The gearing (debt-equity) stood improved albeit at 1.61 times as on 31 March, 2023 as against 2.59 times as on 31 March, 2022 on account of significant decrease in short term bank borrowings during the said period. The total debt of Rs.14.82 Cr consists of Rs.3.12 Cr of long term debt, Rs.10.29 Cr of short term debt, Rs.0.17 Cr and Rs.1.25 Cr of current maturities of long term debt. The TOL/TNW improved and stood at 2.26 times as on 31 March 2023 as against 3.25 times as on 31 March 2022. The Debt/EBITDA improved and stood at 4.70 times as on 31 March 2023 as against 7.13 times as on 31 March 2022. The debt protection metrics have improved however, stood low in FY2023. The interest coverage ratio and DSCR stood lower at 2.02 times and 0.94 times for FY2023 as against 1.81 times and 0.71 times for FY2022. The Net Cash Accruals to Total debt stood at of 0.09 times for FY2023.

The company has planned a total CAPEX of Rs.14.00-15.00 Cr for the installation of high cupped machines and installation of the cold storage capacity of 1010 tons. The funding for CAPEX is term loan of Rs.10.85 Cr and remaining by promoters. The project is expected to complete by July 2024.

Acuite believes that the financial risk profile of the company will be further moderated in FY2024 as debt funded CAPEX plan is executed and will remain a key rating sensitivity factor.

Moderately intensive Working capital operations

The operations of TOPPL are moderately working capital intensive marked by its Gross Current Assets (GCA) of 105 days for FY2023 which stood moderately high albeit improved as against 162 days for FY2022. The GCA days are driven by inventory days which stood moderately high at 101 days in FY2023 as against 164 days in FY2022. Inventory largely includes stock of frozen fishes stored in order to readily meet the demand of customers in both domestic and exports market without any significant delays. The receivable days stood at 6 days in FY2023 as against 3 days in FY2022 whereas the creditor days stood at 27 days in FY2023 as against 32 days in FY2022.

Acuité believes that ability of TOPPL to improve its working capital cycle will remain a key rating sensitivity factor.

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.

Rating Sensitivities

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

Liquidity Position: Stretched

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.1.29 Cr in FY2023 as against its repayment obligation of Rs.1.48 Cr during the same period. Going forward the NCA are expected to improve and will be in the range of Rs.1.96 Cr to Rs.2.94 Cr for period FY2024-FY2026 against its repayment obligation of Rs.1.25 -1.38 Cr for the same period. The working capital operations of the company are moderately intensive marked by its gross current asset (GCA) days of 105 days for FY2023 as against 162 days for FY2022 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 12 months' period ended December 2023 stood high at ~98.60 percent for CC facility and moderate of 47.92 percent in PC facility. Current ratio stands at 1.46 times as on 31 March 2023. The company has maintained low cash & bank balance of Rs.0.04 Cr in FY2023.

Acuite believes that the liquidity position of the company will improve over the medium term.

Outlook: Stable

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	91.16	72.65
PAT	Rs. Cr.	0.64	0.50
PAT Margin	(%)	0.70	0.69
Total Debt/Tangible Net Worth	Times	1.61	2.59
PBDIT/Interest	Times	2.02	1.81

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
07 Feb 2023	Cash Credit	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)
	PC/PCFC	Short Term	18.00	ACUITE A4+ (Reaffirmed)
24 Feb 2022	Term Loan	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	2.00	ACUITE BB- Stable (Reaffirmed)
	PC/PCFC	Short Term	18.00	ACUITE A4+ (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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BB- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.00	ACUITE A4+ Reaffirmed
Union Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A4+ Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.35	ACUITE BB- Stable Assigned
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Apr 2025	Simple	2.00	ACUITE BB- Stable Reaffirmed
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	28 Apr 2025	Simple	1.11	ACUITE BB- Stable Assigned
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Apr 2031	Simple	10.85	ACUITE BB- Stable Assigned
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	13 May 2030	Simple	0.39	ACUITE BB- Stable Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Jan 2029	Simple	0.30	ACUITE BB- Stable Assigned

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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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