

Press Release

Wobillahi

August 04, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 7.00 crore bank facilities of Wobillahi. The outlook is '**Stable**'.

Wobillahi, a partnership firm was established in 1998 by Mr. Mohammed Ali, Mr. K P Hussain and Mr. K P Ibrahim. The firm is engaged in the distribution and transport of sea food in Karnataka. The firm procures fresh sea water fishes from Maharashtra, Goa and sells the same to customers in south India.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

The firm has long track record of operations in the sea food industry. The extensive experience of the management has helped it establish long term relations with customers and suppliers.

- Above average financial riskprofile**

The above average financial risk profile is marked by low networth, modest capital structure and strong debt protection metrics. The networth levels of the company stood at relatively low level of around Rs. 5.83 crore and gearing of around 1.29 times as on 31 March, 2017 (Provisional) as against networth of Rs 3.38 crore and gearing of 1.29 times in FY2016. The total debt of Rs 7.51 crore in FY2017(Provisional) consists of Rs 6.77 crore of short term debt. The balance is machinery loan. The total debt of Rs 6.36 crore in FY2016 consists of Rs 5.74 crore of short term borrowings with balance (cash credit) of Rs 0.62 crore constituting machinery loan. The debt protection metrics are comfortable, with interest coverage ratio of around 2.64 times and net cash accruals to total debt (NCA/TD) of about 0.22 times for FY2017 (Provisional). The interest coverage ratio stood at 2.40 times and NCA/TD at 0.17 times for FY2016.

- Efficient working capitalmanagement**

The firm has efficient working capital cycle. The gross current assets stood low at 50 days in FY2016-17 (Provisional) compared to 46 in the previous year. This is due to low debtors and inventory days of 46 and 2 in FY2017 and 39 and 4 in FY2016.

Weaknesses

- Thin profit margins**

Wobillahi's profit margin stands thin at 1.03 per cent in FY2017 (Provisional) and 0.46 per cent in FY2016 due to lower realisation and high interest cost.

- Susceptibility to risks inherent in the seafood industry**

The firm remains vulnerable to the inherent risks in the seafood industry such as susceptibility to diseases, climate changes, fluctuations in exchange rates, adverse changes in domestic and foreign government policies among others.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook in the medium term owing to its long track of operations. The outlook may be revised to 'Positive' in case the firm generates higher than expected revenue, healthy operating margins and working capital management leading to better financial flexibility. Conversely, the outlook may be revised to 'Negative' in case of lower than expected revenue.

About the Rated Entity - Key Financials

The firm reported (Profit after Tax) PAT of Rs 0.25 crore on operating income of Rs 54.82 crore in FY2015-16 compared to PAT of Rs 0.49 crore on operating income of Rs 64.79 crore in FY2014-15.

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>
- Trading Entities - <https://www.smera.in/criteria-trading.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	7.00	SMERA BB / Stable

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