

## Press Release

### RAFIQ NAIK EXPORTS PRIVATE LIMITED

February 25, 2019



#### Rating Reaffirmed and withdrawn

<b>Total Bank Facilities Rated*</b>	Rs. 52.59 Cr.
<b>Long Term Rating</b>	ACUITE BB- (Withdrawn)
<b>Short Term Rating</b>	ACUITE A4 (Reaffirmed)

\* Refer Annexure for details

#### Rating Rationale

Acuité has reaffirmed short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 52.59 crore bank facilities of RAFIQ NAIK EXPORTS PRIVATE LIMITED (RNPL). The outlook is '**Stable**'.

Further, Acuité has withdrawn the long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) to the Rs. 12.19 crore bank facilities of RNPL.

RNPL, incorporated in 2014, is a Maharashtra based company promoted by Mr. Rafiq Naik, Mr. Husain Kazi & Mr. Raja Sivagnanam. It is engaged in manufacturing and exporting of fish and fish products. The company exports various sea foods items in frozen form to Europe, South East Asian countries, Russia and Middle East to name a few. Its main raw material suppliers are from the western coast of India including Mumbai, Ratnagiri, Raigad, Gujarat and some parts of Andhra Pradesh. It is currently operating at a capacity of 100 metric tonnes per day and is utilising its entire capacity.

#### Analytical Approach

Acuité has considered the standalone business and financial risk profile of RNPL to arrive at the rating.

#### Key Rating Drivers

##### Strengths

- **Experienced management**

The promoters possess over four decades of experience in the industry through their association with sister companies that have been operating in this industry for ~40 years. Acuité believes that the company will benefit from its experienced management which will help the company maintain long standing relations with its customers and suppliers.

- **Moderate financial risk profile**

The financial risk profile of RNPL stood moderate marked by moderate net worth, debt protection metrics and leverage ratios. The tangible net worth of RNPL stood at Rs.18.44 crore as on 31 March, 2018 as against Rs.17.91 crore as on 31 March, 2017. Gearing (debt-equity) remained low at 1.70 times as on 31 March, 2018. The total debt as on 31 March, 2018 of Rs.31.07 crore comprises working capital limit of Rs.25.00 crore and term loan outstanding of Rs.6.07 crore.

The coverage indicators stood moderate marked by interest coverage ratio (ICR) at 1.84 times in FY2018 as against 1.54 times in the previous year. The debt service coverage ratio (DSCR) stood at 1.50 times in FY2018 as compared to 0.55 times in FY2017. Total outside liabilities to tangible net worth (TOL/TNW) stood below average at 1.83 times as on 31 March, 2018 as against 2.34 times in the previous year. Acuité believes that the financial risk profile of the company will remain moderate in the absence of any major debt funded capex and backed by healthy net cash accruals.

## Weaknesses

### • Intense competition and risk of changes in environment

RNPL operates in an intensely competitive and fragmented seafood industry. The company is also exposed to risks inherent in the industry such as susceptibility to diseases, changes in climatic conditions and government policies. Further, being an exporter the company is exposed to risks related to economic conditions of export countries. Any slowdown in the economic conditions of these countries may adversely impact the orders inflow of the company.

### • Foreign exchange fluctuation and inventory risk

The company is not availing any instruments for hedging foreign exchange fluctuation risk against the export of its products. Thus, the profitability margins of the firm remain susceptible to fluctuations in foreign exchange rates. Further, procuring fish has an inherent industry risk of overstocking in addition to which the company follows a 'First In First Out' policy. Hence, an inability to sell at expected levels would lead to significant piling up of inventory which poses an inventory price risk.

## Liquidity Position

RNPL has its liquidity marked by moderate net cash accruals to its maturing debt obligations. Net cash accruals for the company have improved to Rs.2.18 crore for FY2018 from Rs.1.10 crore for FY2017. The cash accruals of the group are estimated to remain in the range Rs. 6.45-2.88 crore during 2019-21. The group's operates in a comfortable working capital nature of operations marked by gross current asset (GCA) days of 51 in FY2018. This has led to lower reliance on working capital borrowings; the packing credit limit of the group remains moderately utilised at ~60 per cent. The group maintains unencumbered cash and bank balances of Rs.0.26 crore as on March 31, 2018. The current ratio of the group stands at 0.88 times as on March 31, 2018. Acuité believes that the liquidity of the group is likely to remain moderate over the near to medium term on account of healthy cash accrual and low debt repayments over the period.

## About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	174.49	289.90	93.96
EBITDA	Rs. Cr.	5.69	4.12	3.31
PAT	Rs. Cr.	1.53	0.82	1.06
EBITDA Margin	(%)	3.26	1.42	3.53
PAT Margin	(%)	0.88	0.28	1.13
ROCE	(%)	10.54	9.78	20.10
Total Debt/Tangible Net Worth	Times	1.69	1.70	3.52
PBDIT/Interest	Times	1.84	1.54	2.12
Total Debt/PBDIT	Times	5.35	7.27	7.32
Gross Current Assets (Days)	Days	60	48	56

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

None

## Any other information

None

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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
24-Nov-2017	Term Loan	Long Term	12.19	ACUITE BB- / Stable (Assigned)
	Packing Credit	Short Term	20.00	ACUITE A4 (Assigned)
	Bills Discounting	Short Term	20.00	ACUITE A4 (Assigned)
	Proposed Short Term	Short Term	0.40	ACUITE A4 (Assigned)

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A4 (Reaffirmed)
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A4 (Reaffirmed)
Proposed Short Term	Not Applicable	Not Applicable	Not Applicable	12.59	ACUITE A4 (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	12.19	ACUITE BB- (Withdrawn)

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### About Acuité Ratings & Research:

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