

Press Release

S M MARINE PRODUCTS

January 09, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.00 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 minus**) on the Rs. 9.00 crore bank facilities of S M MARINE PRODUCTS. The outlook is '**Stable**'.

The Karnataka-based S M Marine Products (SMMP) established in 2006 is engaged in the production of fish meal and oil. The firm, led by Mr. Mohammood Zikar Sait, Mr. Haji Ishaq Sait, Mr. Mohammood Dawood Sait, and Mr. Noor Mohammed has an installed capacity of 200 metric tonnes of fish meal and oil per day. The products are sold in India and exported to Vietnam, Malaysia, Thailand, Taiwan and other countries.

Key Rating Drivers

Strengths

- **Established track record of operations, experienced management**

SMMP, established in 2006 is engaged in the production of fish meal and oil since inception. The firm is led by promoters, Mr. Mohammood Zikar Sait Mr. Haji Ishaq Sait Mr. Mohammood Dawood Sait and Mr. Noor Mohammed who have extensive experience of around four decades in the sea food industry.

Weaknesses

- **Moderate scale of operations**

The firm reported operating income of Rs.23.90 crore in FY2017 as against Rs. 17.94 crore in FY2016 and Rs.79.77 crore in FY2015. The revenue declined by 78 per cent in FY2016 owing to use of obsolete technology. Further, SMMP reported revenue of Rs.20 crore from April, 2017 - November, 2017 (Provisional).

- **Fluctuations in raw material prices and forex rates**

The raw material cost constitutes ~83 per cent of the total cost of sales. Hence, the firm is exposed to fluctuations in raw material prices. Besides, the firm generates over 50 percent revenue from export to Vietnam, Malaysia, Thailand, Taiwan, Singapore and Bangladesh. Since the firm has no hedging mechanism, it is exposed to foreign exchange fluctuation risk.

- **Average financial risk profile**

The financial risk profile is average marked by low networth, modest gearing and debt protection measures. The networth levels stood at Rs. 4.52 crore as on 31 March, 2017 and Rs. 3.77 crore as on 31 March, 2016. The gearing stood at 1.77 times as on 31 March, 2017 as against 1.43 times as on 31 March, 2016. The total debt of Rs. 8.01 crore includes term loans from the bank of Rs. 4.01 crore and working capital funds of Rs. 4.00 crore. The Interest coverage ratio stood at 2.14 times for FY2017 as against 2.42 times in FY2016. The Net cash accruals to total debt (NCA/TD) stood at 0.10 times in FY2017 as against 0.16 times in FY2016 on account of decrease in net cash accruals.

- **Working capital intensive operations and stretched liquidity**

The working capital intensive operations are marked by gross current asset (GCA) days of 155 in FY2017 and 134 in FY2016 on account of high inventory holding period of 33 days in FY2017, 74 days for FY2016.

The debtor days stood at 45 in FY2017 and 28 in FY2016. Further, the liquidity position of the firm is stretched with cash credit limit being fully utilised during the last six months ended 31 October, 2017.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of S M Marine Products to arrive at the rating.

Outlook: Stable

SMERA believes that SMMP's outlook will remain stable over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of higher than expected growth in revenues, profitability while improving working capital cycle and the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenue and profitability, higher than envisaged debt funded capex or working capital requirements deteriorating the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

In FY2016-17 (Provisional), the firm reported profit after tax (PAT) of Rs.0.24 crore on operating income of Rs.23.90 crore as against net profit of Rs.0.12 crore on operating income of Rs.17.94 crore in the previous year. The tangible net worth stood at Rs.4.52 crore as on 31 March, 2017 as against Rs.3.77 crore in the previous year.

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>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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	4.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB- / Stable

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