

Press Release

Sankar Marine Aquarium Private Limited (SMAPL)

19 April, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 24.00 Cr.
Long Term Rating	SMERA BB-/ Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as SMERA double B minus) and short term rating of '**SMERA A4+**'(read as SMERA A four plus) on the Rs. 24.00 crore bank facilities of Sankar Marine Aquarium Private Limited. The outlook is '**Stable**'.

Sankar Marine Aquarium Private Limited (SMAPL) was established in 2014 by Mr. Swadesh Ranjan Nayak as a proprietor is engaged in processing of sea fish with an installed capacity of 7 ton per day. The company changed its constitution to partnership firm in 2016 and enhanced its installed capacity to 30 ton per day. The constitution was changed to a closely held company in September 2017. The processing unit is located in Shankarpur, West Bengal. SMAPL procures fish directly from auction in Digha estuary and caters to the local exporters.

Key Rating Drivers

Strengths

• Experienced management and long track record of operation

The promoter, Mr. Swadesh Ranjan Nayak has experience of more than 40 years in the aquaculture industry. He was started his career with logistics business involved in transport of fish from auction market to processing centres along with trading of sea fishes. After that he was directly associated with the fishing. Currently Mr. Swadesh Ranjan Nayak is associated with the day to day operation of the company along with other promoters Mr. Manoranjan Nayak and Mr. Krishnakant Das.

• Efficient working capital management

The working capital management of the company is marked by gross current asset (GCA) days of 37 in FY2017 as compared to 124 days in the previous year. The collection period and inventory days stands comfortable at 22 and 13 days respectively in FY2017 as compare to 9 and 0 days respectively in FY2016. The working capital cycle of the company also stands comfortable at 20 days in FY2017.

Weaknesses

• Average financial risk profile

The average financial risk profile of the company is marked by low networth, high gearing and comfortable debt protection metrics. The net worth of the company stood low at Rs.3.95 crore in FY2017 as compared to Rs.0.73 crore in FY2016. The gearing of the company stood high at 2.64 times in FY2017 as compare to 9.29 times in FY2016. The total debt of Rs.10.44 crore is consist of long term debt of Rs.5.97 crore, short term rating of Rs.1.50 crore and unsecured loan from promoters of Rs.1.87 crore. The interest coverage ratio (ICR) of the company stood comfortable at 2.69 times in FY2017 as compare to 2.51 times in FY2016. The debt service coverage ratio (DSCR) of the company stood comfortable at 1.51 times in FY2017 as compare to 0.97 times in FY2016. The net cash accruals against the total debt (NCA/TD) stand moderate at 0.15 times in FY2017 as compare to 0.010 times in FY2016.

- **Susceptibility to risks inherent in the seafood industry**

The company remains vulnerable to the inherent risks in the seafood industry such as susceptibility to diseases, climate changes, fluctuations in the exchange rate, adverse change in domestic and Government policies in exporting countries, which include modifications in export incentives offered to the industry and application of stringent quality requirements.

- **Debt funded capex plan**

The company is undertaking a capex of Rs.5.90 crore for processing of prawn with the capacity of 10 TPD to in FY2019. The funding is expected to be in the ratio of 2.83:1. The loan has already been disbursed from the bank in the month of April and capex is expected to be completed by last quarter of 2018.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of SMAPL.

Outlook: Stable

SMERA believes that SMAPL will continue to benefit over the medium term from its experienced management. The outlook may be revised to 'Positive' in case the firm achieves more than envisaged sales and registers a sustained improvement in working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the company's financial risk profile on account delays in competition of debt funded capex plan.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	32.56	8.06	6.05
EBITDA	Rs. Cr.	2.53	1.16	0.94
PAT	Rs. Cr.	0.28	0.18	0.20
EBITDA Margin	(%)	7.77	14.38	15.60
PAT Margin	(%)	0.85	2.19	3.27
ROCE	(%)	11.11	11.01	25.81
Total Debt/Tangible Net Worth	Times	2.64	9.29	7.19
PBDIT/Interest	Times	2.69	2.51	2.34
Total Debt/PBDIT	Times	4.13	5.59	4.58
Gross Current Assets (Days)	Days	37	124	91

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

NA

Any other information

NA

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)

NA

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.36	SMERA BB-/ Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	7.07	SMERA BB-/ Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.50	SMERA BB-/ Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.57	SMERA BB-/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	SMERA A4+ (Assigned)

Contacts

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in Abhishek Dey Executive Analyst - Rating Operations Tel: +91 33 6620 1208 abhishek.dey@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in

ABOUT SMERA

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