

Press Release

Akash Fishmeal And Fishoil Private Limited

July 23, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 29.50 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (read as ACUITE double B minus) on the Rs. 29.50 crore bank facilities of AKASH FISHMEAL AND FISHOIL PRIVATE LIMITED (AFPL). The outlook is '**Stable**'.

Sindhudurg-based, Akash Fishmeal and Fishoil Private Limited (AFPL) was incorporated in 2015. The company is engaged in the manufacturing of fishmeal and fish oil. The company has a manufacturing capacity of 400 metric tons per day. The operations of the company are handled by Mr. Mohamed Quresh, Mr. Mohamed Suhel, Mr. Fairoz Thota, Mr. Sayed Abbasab Thota, Mr. Haneef Thota and Mr. Shyam Chandrakant Sarang.

Analytical Approach

For arriving at this rating, Acuité has considered the standalone business and financial risk profile of AFPL.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters have more than two decades of experience in the seafood industry. The promoters of the company also own two other companies, namely, Goan Fresh Marine Exports Private Limited and Ocean Pearl Fisheries which are engaged in the business of processing and cutting marine products. Their extensive experience has helped develop long term relations with customers and suppliers.

- **Average financial risk profile**

The financial risk profile is average marked by modest net worth of Rs.13.97 crore as on 31 March, 2019(P). The gearing (debt-to-equity ratio) stood at 1.45 times in FY2019 (Provisional) compared to 1.83 times in FY2018. The total debt of Rs.20.22 crore consists of working capital borrowings of Rs.13.48 crore, term loan of Rs.6.75 crore as on 31 March, 2019 (Provisional). Interest Coverage Ratio (ICR) is comfortable at 1.80 times and Debt Service Coverage Ratio (DSCR) is low at 1.01 times in FY2019 (Provisional).

Weaknesses

- **Vulnerability to risks and highly fragmented industry**

The company is exposed to risks inherent in the sea food industry such as vulnerability to diseases, climatic changes apart from changes in government policies. AFPL operates in a highly competitive and fragmented industry characterised by large number of unorganised players affecting margins.

Liquidity Position:

AFPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company has cash accruals of around Rs.2.59-6.55 crore during the FY2017-19(P) as against debt obligation of Rs.2.50-3.74 crore during the same period. The cash accruals of the company are estimated to remain around Rs.4.00-5.42 crore during FY2020-22, while its repayment obligations are estimated to be around Rs.3.01 crore for FY2020. The company's operates with efficient working capital cycle as marked by Gross Current Assets (GCA) of 82 days in FY 2019(P). The current ratio stood at 0.81 times as on March 31, 2019(P). Acuité believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash accrual as compared to repayments over the medium term.

Outlook: Stable

Acuité believes that AFPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	74.98	63.77	44.13
EBITDA	Rs. Cr.	5.99	6.22	8.52
PAT	Rs. Cr.	0.33	0.52	0.76
EBITDA Margin	(%)	7.99	9.75	19.30
PAT Margin	(%)	0.44	0.82	1.72
ROCE	(%)	10.40	9.66	9.59
Total Debt/Tangible Net Worth	Times	1.45	1.83	1.58
PBDIT/Interest	Times	1.80	2.20	3.50
Total Debt/PBDIT	Times	3.38	3.93	2.39
Gross Current Assets (Days)	Days	82	130	221

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
21-Jun-2018	Cash Credit	Long Term	15.00	ACUITE BB- / Stable (Assigned)
	Term Loan	Long Term	14.50	ACUITE BB- / Stable (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BB- / Stable (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	5.95	ACUITE BB- / Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	3.55	ACUITE BB- / Stable (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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