

## Press Release

Digha Sea Food Exports Private Limited

July 06, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 16.90 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.16.90 crore bank facilities of Digha Sea Food Exports Private Limited. The outlook is '**Stable**'.

Digha Sea Food Exports Pvt Ltd (DSFE) was established as a partnership firm in 1999, later the constitution changed in 2008 as a private limited company. Currently, the company is headed by Mr. Ram Milan Singh, Mr. Pranab Kumar Kar and Mr. Prabhat Kumar. The company is engaged in processing different types of seafood such as shrimps. The product portfolio includes Block Frozen Shrimps, IQF Raw Shrimps, Blanched IQF shrimps, Cooked IQF Shrimps and Semi-IQF Shrimps. The products are entirely exported to Japan, China, Vietnam, Europe, and Middle East. The company sells its products under various brand names like 'Jinkin', 'Digha Gold', 'Digha Fresh', 'Digha'.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The management has around four decades of experience in this line of business by virtue of their prior employment in related industry.

- **Healthy growth in revenue**

The company has reported healthy revenue growth with compounded annual growth rate (CAGR) of around 12.2 percent during the last three years ended 31 March, 2017. The company reported significant revenue growth of ~52 percent with operating income of Rs.72.01 crore in FY2017 as against operating income of Rs.46.95 crore in FY2016. The growth in FY2017 was on account of increase in sales to existing customers and high demand in the industry. The company has reported an operating income of around Rs.75.00 crore in FY2018 (Provisional).

#### Weaknesses

- **Moderate financial risk profile**

The financial risk profile is moderate marked by low net worth of Rs.4.40 crore as on 31 March, 2017 as compared to Rs.3.54 crore in 31 March, 2016. The gearing (debt to equity ratio) stood at 1.60 times as on 31 March, 2017 as against 1.80 times as on 31 March, 2016. The interest coverage ratio (ICR) stood comfortable at 3.00 times for FY2017 and 2.08 times for FY2016. The NCA/TD stood at 0.22 times in FY2017 as against 0.20 times in FY2016.

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

The raw material cost constitutes ~89 percent of the total cost of sales. The group is exposed to fluctuations in raw material prices. The entire revenue is generated from export to Japan, China, Vietnam, Europe, and Middle East exposing itself to fluctuations in forex rates in the absence of adequate hedging mechanism.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of DSFE to arrive at this rating.

### Outlook: Stable

Acuite believes that DSFE will maintain a 'Stable' outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case of improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenues or profit margins.

### About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	72.01	46.95	50.98
EBITDA	Rs. Cr.	2.10	2.23	2.27
PAT	Rs. Cr.	0.63	0.14	0.05
EBITDA Margin	(%)	2.91	4.75	4.44
PAT Margin	(%)	0.87	0.30	0.09
ROCE	(%)	14.71	13.16	21.53
Total Debt/Tangible Net Worth	Times	1.60	1.80	2.51
PBDIT/Interest	Times	3.00	2.08	2.07
Total Debt/PBDIT	Times	2.84	2.52	3.43
Gross Current Assets (Days)	Days	66	79	82

### 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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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. Crore)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A4+ (Assigned)
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	0.35	ACUITE A4+ (Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	5.55	ACUITE BB/ Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB/ Stable (Assigned)

## Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

## Contacts

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### About Acuité Ratings & Research:

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