

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

Acuité 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

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

Outlook: Stable

Acuité 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 maybe 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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