

## Press Release

### Digha Sea Food Exports Private Limited

August 23, 2019

#### Rating Upgraded and Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs. 16.90 Cr.
<b>Long Term Rating</b>	ACUITE BB+/ Outlook: Stable (Upgraded from ACUITE BB/ Stable)
<b>Short Term Rating</b>	ACUITE A4+ (Reaffirmed)

\* Refer Annexure for details

#### Rating Rationale

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

The rating upgrade reflects the consistent improvement in the revenues of the company resulting in increased accruals. Also, the financial risk profile of the company has steadily improved.

Digha Sea Food Exports Pvt Limited (Digha Sea Foods) was established as a partnership firm in 1999, later the constitution changed in 2008 to 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 and exports of 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 installation capacity of IQF is 1 MT/hour with utilisation of 50-60 per cent. The products are entirely exported to Japan, China, Vietnam, Europe, and Middle East. The company sells its products under various brand names including 'Jinkin', 'Digha Gold', 'Digha Fresh', 'Digha'.

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

##### • Experienced management

Digha Sea Foods was established as a partnership firm in 1999, later the constitution changed in 2008 to a private limited company. Currently, the company is headed by Mr. Ram Milan Singh, Mr. Pranab Kumar Kar and Mr. Prabhat Kumar. The management has around four decades of experience in this line of business by virtue of their prior employment.

##### • Comfortable financial risk profile

The financial risk profile of the company is marked by modest network, comfortable gearing and strong debt protection metrics. The net worth of the company has increased and stood at Rs. 11.95 crore in FY2019 (P) as compared to Rs. 7.14 crore in FY2018. The increase in net worth is on account of accretion of profits to reserves. The Debt-equity (gearing) stood comfortable at 0.08 times in FY2019 (P) compared to 0.42 times in FY2018. The total debt of Rs. 1.00 crore in 31 March, 2019 (P) consists of short term debt. The TOL/TNW stood at 0.67 times in 31 March, 2019 (P) compared to 1.42 times in 31 March, 2018. The interest coverage ratio stood comfortable at 9.69 times in FY2019 (P) as compared to 8.63 times in FY2018, respectively. The NCA/TD has also improved and stood at 4.57 times in FY2019 (P) as against 1.18 times in FY2018. This is mainly on account of increase in the net cash accruals owing to rise in operating revenue and decrease in total debt.

#### • Improvement in operating income

The company's revenue has increased in FY2019 (P) to Rs. 103.71 crore, as compared to Rs.74.24 crore in FY2018 and Rs. 72.01 crore in FY2017; thereby achieving a compounded annual growth rate (CAGR) of 12.93 per cent from FY2017 to FY2019 (P). The increase in revenue is due to MEIS authorisation (government incentive) received during the year.

#### Weaknesses

#### • Fluctuations in raw material prices and forex rates

The raw material cost constitutes ~89 per cent of the total cost of sales. The group is exposed to fluctuations in the 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.

#### Liquidity Position

Digha Sea foods' liquidity profile is adequate marked by healthy net cash accruals as against no major debt obligations. The company generated cash accruals of Rs. 1.57-4.57 crore during the last three years through 2017-19 (P) as against no maturing debt obligations. The bank limit in the company remains 50-90 per cent utilised during the last six months ended July 30, 2019. The company maintains unencumbered cash and bank balances of Rs. 3.06 crore as on March 31, 2019 (P). The current ratio of the company stood weak at 0.97 times as on March 31, 2019 (P). Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no maturing debt obligations.

#### Outlook: Stable

Acuite believes that the company 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 further improvement in financial risk profile along with the operating revenue. Conversely, the outlook maybe revised to 'Negative' in case of significant deterioration in financial risk profile and operating revenue.

#### About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	103.71	74.24	72.01
EBITDA	Rs. Cr.	6.19	4.31	2.10
PAT	Rs. Cr.	3.82	2.76	0.63
EBITDA Margin	(%)	5.97	5.81	2.91
PAT Margin	(%)	3.68	3.72	0.87
ROCE	(%)	48.22	38.71	14.71
Total Debt/Tangible Net Worth	Times	0.08	0.42	1.60
PBDIT/Interest	Times	9.69	8.63	3.00
Total Debt/PBDIT	Times	0.16	0.62	2.84
Gross Current Assets (Days)	Days	28	34	66

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

None

#### Any other information

None

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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>

#### 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
06-July-2018	PC/PCFC	Short Term	6.00	ACUITE A4+ (Assigned)
	FBN/FBP/FBD/P SFC/FBE	Short Term	4.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	0.35	ACUITE A4+ (Assigned)
	Proposed	Long Term	5.55	ACUITE BB/Stable (Assigned)
	Proposed Term Loan	Long Term	1.00	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
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	7.50 (Enhanced from Rs. 6.00 crore)	ACUITE A4+ (Reaffirmed)
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	5.50 (Enhanced from Rs. 4.00 crore)	ACUITE A4+ (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.35	ACUITE A4+ (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	2.55	ACUITE BB+/Stable (Upgraded ACUITE BB/Stable)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB+/Stable (Upgraded ACUITE BB/Stable)

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**About Acuite Ratings & Research:**

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