

## Press Release

### Digha Sea Food Exports Private Limited

November 14, 2020

### Rating Reaffirmed



<b>Total Bank Facilities Rated</b>	Rs. 16.90 crore
<b>Long Term Rating</b>	ACUITE BB+/ Stable (Reaffirmed)
<b>Short Term Rating</b>	ACUITE A4+ (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the 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 (DSPL). The outlook is '**Stable**'

Digha Sea Food Exports Private Limited (DSPL) was established as a partnership firm in 1999 and the constitution was changed in 2008 to a private limited company. Currently, the company is headed by 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. The products are entirely exported to Japan, China, Vietnam, Europe, and the 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 DSPL to arrive at this rating.

### Key Rating Drivers

#### Strengths

- **Experienced management and established track record of operations**

DSPL was established in July, 1999 as a partnership firm which later got converted into a private limited company in 2008. The company is engaged in processing and exports of different types of seafood and hence has established track record of more than two decades. The promoters Mr. Pranab Kumar Kar and Mr. Prabhat Kumar have extensive experience of more than two decades in the business. The extensive industry experience of the promoters has enabled the company to establish a healthy relationship with its suppliers and customers. Acuite believes the company will continue to benefit from experienced promoters that will help to maintain long term relations with clients.

- **Comfortable financial risk profile**

The financial risk profile of the company stood comfortable marked by moderate network, low gearing level and healthy debt protection metrics. The tangible network stood at Rs 12.28 crore as on 31st March, 2020 as compared to Rs 10.87 crore in the previous year. The gearing (debt-equity) stood low at 0.35 times in FY 2020 as compared to 0.09 crore in the previous year. Total debt of Rs 4.27 crore consists of working capital borrowings. The coverage indicators are marked by Interest coverage ratio (ICR), which stood at 7.32 times for FY 2020 as compared to 8.92 times in FY 2019. Net Cash Accruals/ Total debt (NCA/TD) stood at 0.63 times in FY 2020 as compared to 4.40 times in the previous year. The financial risk profile is expected to remain at similar levels over the medium term in the absence of any major debt funded capex plan.

#### Weaknesses

- **Exposure to regulatory changes and competition**

The shrimp processing and export business is highly fragmented with the presence of several small players and dependence on shrimp farms for raw material which limits bargaining power. Additionally, the procurement price of shrimp depends on catch and availability during a particular period, which exposes the company to volatility in product prices. Furthermore, as entire revenue is generated from exports, credit risk profile remains susceptible to volatility in forex rates. Further, the company is also exposed to risk arising from regulatory changes and demand pattern in client countries and changes such as the levy of anti-dumping duties by importing countries.

### Rating Sensitivity

- Sustained financial risk profile

### Material Covenants

None

### Liquidity Profile: Adequate

DSPL has adequate liquidity marked by moderate cash accruals to its maturing debt obligations. The company generated cash accruals of Rs 3.47-2.68 crore in FY 2018-2020 against no maturing debt obligations during the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 2.73-3.26 crore during 2021-23. The working capital operations of the company are well managed marked by GCA (Gross Current Assets) Days of 37 days in FY 2020 as compared with 27 days in the previous year. The company maintained unencumbered cash and bank balances of Rs. 0.26 crore as on March 31, 2020. The current ratio stood at 1.84 times as on March 31, 2020. The working capital limits remained utilized at an average of around 43 percent for 6 months ended September, 2020. Acuite believes that the liquidity of the company is likely to remain at similar levels over the medium term.

### Outlook: Stable

Acuite believes that Digha Sea Food Exports Private Limited's outlook will remain 'Stable' over the medium term from its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of growth in revenues and profitability while sustaining its financial risk profile. The outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability or increasing working capital intensity.

### About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	85.42	101.79
PAT	Rs. Cr.	2.13	3.73
PAT Margin	(%)	2.50	3.67
Total Debt/Tangible Net Worth	Times	0.35	0.09
PBDIT/Interest	Times	7.32	8.92

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

Not Applicable

### Any other information

Not Applicable

### Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
23-Aug-2019	PC/PCFC	Short Term	7.50	ACUITE A4+ (Reaffirmed)
	FBN/ FBP/ FDP/ PSFC/ FBE	Short Term	5.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	0.35	ACUITE A4+ (Reaffirmed)
	Proposed Term Loan	Long Term	1.00	ACUITE BB+/Stable (Upgraded)

	Proposed	Long Term	2.55	ACUITE BB+/Stable (Upgraded)
06-Jul-2018	PC/PCFC	Short Term	6.00	ACUITE A4+ (Assigned)
	FBN/ FBP/ FDP/ PSFC/ FBE	Short Term	4.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	0.35	ACUITE A4+ (Assigned)
	Proposed Term Loan	Long Term	1.00	ACUITE BB/Stable (Assigned)
	Proposed	Long Term	5.55	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	05-May-2020	Not Applicable	Not Applicable	7.50	ACUITE A4+ (Reaffirmed)
FBN/ FBP/ FDP/ PSFC/ FBE	05-May-2020	Not Applicable	Not Applicable	5.50	ACUITE A4+ (Reaffirmed)
Bank Guarantee	05-May-2020	Not Applicable	Not Applicable	0.35	ACUITE A4+ (Reaffirmed)
Proposed Term Loan	05-May-2020	Not Applicable	Not Applicable	2.00	ACUITE BB+/ Stable (Reaffirmed)
Proposed	05-May-2020	Not Applicable	Not Applicable	1.55	ACUITE BB+/ Stable (Reaffirmed)

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**About Acuite Ratings & Research:**

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