Acuite RATINGS & RESEARCH

Press Release

Digha Sea Food Exports Private Limited

July 15, 2022

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.40	-	ACUITE A4+ | Reaffirmed
Bank Loan Ratings	2.50	ACUITE BB+ | Stable | Reaffirmed	-
Bank Loan Ratings	7.95	-	ACUITE A4+ | Assigned
Total Outstanding Quantum (Rs. Cr)	24.85	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

* Refer Annexure for details

Rating Rationale

Acuité has assigned and 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 24.85 Cr bank facilities of Digha Sea Food Exports Private Limited (DSPL). The outlook remains **'Stable'**.

The rating reaffirmation on DSPL factors in the long experience of the promoters in the seafood business, efficient working capital management marked by Gross Current Assets (GCA) days of 55 days as on 31st March, 2022 (prov.) and the company's proximity to their raw material sources. The rating also draws comfort from the comfortable financial risk profile of the company. These strengths are partially offset by exposure to regulatory changes, susceptibility to volatility in raw material prices and foreign exchange rates. In addition, the company has an erratic top line and the profitability margin has been continuously declining since the last four fiscals.

About the Company

Established in 1999, Digha Sea Food Exports Private Limited (DSPL) is a closely held Kolkata based company. The company is headed by its promoter directors Mr. Pranab Kumar Kar and Mr. Prabhat Kumar and is engaged in processing and export of a variety of shrimps. The product portfolio includes Block Frozen Shrimps, IQF Raw Shrimps, Blanched IQF shrimps and more. The installed capacity of IQF is 1 MT/hour. 60 per cent of the company's revenue comes from IQF shrimps and remaining from block shrimps. 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

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

Key Rating Drivers

Strengths

Experienced management and established t rack 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. Acuité 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 company's comfortable financial risk profile is marked by modest networth, low gearing and strong debt protection metrics. The tangible net worth of the company is expected to improve to Rs.15.33 Cr as on 31st March, 2022 (prov.) from Rs.14.31 Cr as on 31st March, 2021. Gearing is expected to remain low at 0.48 times as on March 31, 2022 (prov.) as against 0.70 times as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) is expected to reduce to 0.83 times as on March 31, 2022 (prov.) as against 1.13 times as on March 31, 2021. The strong debt protection metrics of the group is marked by Interest Coverage Ratio at 3.80 times and Debt Service Coverage Ratio (DSCR) at 3.50 times as on March 31, 2022 (prov.). NCA/TD is expected to remain at 0.22 times in FY2022 (prov.). Going forward, Acuité believes that the financial risk profile of the company will remain at similar levels backed by steady accruals and no major debt funded capex plans.

Weaknesses

Moderate business risk position

The company has an erratic top line and has booked revenues of around Rs.74 Cr in FY22 (prov.) as compared to Rs.91 Cr in FY21, thereby registering a y-o-y decline of 18.63 per cent in FY22 and a y-o-y growth of 6.90 per cent in the previous year. The company's revenue declined in FY22 due to decrease in availability of raw shrimps. However, the company is expected to increase its scale going forward due to expected revival in the availability of raw materials and the ongoing expansion in the shrimps processing and storage capacities.

The operating margin of the company has decreased to around 2.45 per cent in FY22 (prov.) and PAT margin to around 1.38 per cent in FY22 (prov.) from 3.36 per cent and 2.44 per cent respectively in the previous period. The decrease in profitability margins is due to decrease in the top line with subsequent increase in the operating expenses like power, container and freight costs.

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 antidumping duties by importing countries.

Rating Sensitivities

- Sustained financial risk profile

- Growth in the scale of operations while improving its profitability margins

Material covenants
None

Liquidity Position: Adequate
The company's liquidity position is adequate marked by estimated net cash accruals of around Rs.2.30 Cr in FY2022 (prov.) as against no long term debt repayment over the same period. The current ratio of the company remained strong at over 2.00 times as on March 31, 2022 (prov.) as against 1.68 times in FY21. The company had unencumbered cash balance of around Rs.4.00 Cr as on 31st Mar, 2022. The fund based limit remained utilised at only 28 per cent over seven months ended May, 2022. Acuité believes that going forward the company's liquidity position will remain at similar levels due to steady cash accruals.

Outlook: Stable
Acuité believes that DSPL's outlook will remain 'Stable' over the medium term supported by its experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of any significant growth in revenues and profitability levels 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.

Key Financials

Particulars	Unit	FY 22 (Expected)	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	74.30	91.31	85.42
PAT	Rs. Cr.	1.02	2.23	2.13
PAT Margin	(%)	1.38	2.44	2.50
Total Debt/Tangible Net Worth	Times	0.48	0.70	0.35
PBDIT/Interest	Times	3.80	8.78	7.32

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

- CRISIL, vide its press release dated Jun 11, 2021 had denoted the rating of Digha Sea Food Exports Private Limited as 'CRISIL B+/Stable/A4; ISSUER NOT COOPERATING'.

Any other information
Not Applicable

Applicable Criteria
• Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
• Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.htm
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/view-rating-criteria-55.htm

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook

14 Nov 2020	Bank Guarantee	Short Term	0.35	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	1.55	ACUITE BB+ | Stable (Reaffirmed)
	Proposed Term Loan	Long Term	2.00	ACUITE BB+ | Stable (Reaffirmed)
	Bills Discounting	Short Term	5.50	ACUITE A4+ (Reaffirmed)
	Packing Credit	Short Term	7.50	ACUITE A4+ (Reaffirmed)
23 Aug 2019	Bank Guarantee	Short Term	0.35	ACUITE A4+ (Reaffirmed)
	Packing Credit	Short Term	7.50	ACUITE A4+ (Reaffirmed)
	Bills Discounting	Short Term	5.50	ACUITE A4+ (Reaffirmed)
	Proposed Term Loan	Long Term	1.00	ACUITE BB+ | Stable (Upgraded from ACUITE BB | Stable)
	Proposed Bank Facility	Long Term	2.55	ACUITE BB+ | Stable (Upgraded from ACUITE BB | Stable)
06 Jul 2018	Packing Credit	Short Term	6.00	ACUITE A4+ (Assigned)
	Bills Discounting	Short Term	4.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	0.35	ACUITE A4+ (Assigned)
	Proposed Bank Facility	Long Term	5.55	ACUITE BB | Stable (Assigned)
	Proposed Term Loan	Long Term	1.00	ACUITE BB | Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	0.35	ACUITE A4+ | Reaffirmed
Canara Bank	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ | Reaffirmed
Canara Bank	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ | Assigned
Canara Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	9.05	ACUITE A4+ | Reaffirmed
Canara Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.95	ACUITE A4+ | Assigned
Canara Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	1.50	ACUITE BB+ | Stable | Reaffirmed
Canara Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	1.00	ACUITE BB+ | Stable | Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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