Press Release
DIGHA SEA FOOD EXPORTS PRIVATE LIMITED
September 15, 2023
Rating Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.50	Not Applicable | Withdrawn	-
Bank Loan Ratings	20.35	-	ACUITE A4+ | Reaffirmed
Total Outstanding Quantum (Rs. Cr)	20.35	-	-
Total Withdrawn Quantum (Rs. Cr)	4.50	-	-

Rating Rationale

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Acuité has reaffirmed the short term rating of **'ACUITE A4+' (read as ACUITE A four plus**) on the Rs 20.35 Cr bank facilities of Digha Sea Food Exports Private Limited (DSPL). The outlook remains **'Stable'.**

Furthermore, Acuité has **withdrawn** its long-term rating on the Rs.4.50 Cr. proposed bank facilities of Digha Sea Food Exports Private Limited (DSPL).
The rating has been withdrawn on Acuite's policy of rating withdrawal, and on account of the request received from the client.

Rationale for rating reaffirmed

The rating takes into account the steady business risk profile of the company reflected by increasing revenue from its operations to Rs.109.82 Cr in FY2023(provisional) as compared to Rs. 77.65 Cr. in FY2022. The rating draws comfort from above average financial risk profile of the company with moderate networth, low gearing and comfortable debt protection matrices. The rating also factors in the long & established operations and experience of the promoters in the seafood business. Furthermore, the working capital management of the company remained efficient marked by Gross Current Assets (GCA) days of 29 days in FY2023(Provisional) as compared to 43 days in FY2022.

However, these strengths are partially offset by continuous deterioration in profitability margins and exposure to regulatory changes, susceptibility to volatility in Navigating Regulatory Shifts and Competitive Landscape.

About the Company

Founded in 1999, Digha Sea Food Exports Private Limited (DSPL) is a Kolkata-based company that operates closely. It is overseen by its promoter directors, Mr. Pranab Kumar Kar and Mr. Prabhat Kumar, and specializes in processing and exporting a variety of shrimp products. Their product range encompasses Block Frozen Shrimps, IQF Raw Shrimps, Blanched IQF Shrimps, and more. The IQF processing capacity is 1 MT per hour. Sixty percent of the company's revenue is generated from IQF shrimp sales, with the remaining portion stemming from block shrimp sales. These products are exclusively exported to Japan, China, Vietnam, Europe, and the Middle East. Various brand names, including 'Jinkin,' 'Digha Gold,' 'Digha Fresh,' and 'Digha,' are used by the company to market its products.

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 track record of operations**

DSPL was originally established in July 1999 as a partnership company, and it later transitioned into a private limited company in 2008. The company is actively involved in processing and exporting various seafood products, boasting a solid track record spanning over two decades. Its promoters, Mr. Pranab Kumar Kar and Mr. Prabhat Kumar, bring over two decades of invaluable industry experience to the table. Thanks to the extensive expertise of the promoters, the company has fostered strong relationships with both suppliers and customers, ensuring its continued success.

Furthermore, the revenue of the company stood moderate at Rs.109.82 Cr in FY2023(Provisional) as compared to Rs. 77.65 Cr. in FY2022. This increase in revenue can be attributed primarily to higher average prices realized during the period, driven by the demand for raw shrimps, including both wild and farm-raised varieties. Acuite believes the company's revenue will continue to rise due to sustained market demand, providing a reasonable level of revenue visibility over the medium term.

- **Above average financial risk profile**

The financial risk profile of the company is above average marked by moderate net worth, low gearing and comfortable debt protection metrics. The tangible net worth of the company stood at Rs.17.89 Cr as on March 31, 2023(Provisional) as compared to Rs.15.58 Cr.as on March 31, 2022. This improvement in networth is mainly due to the retention of current year profits in reserves. The gearing of the company stood low at 0.19 times as on March 31, 2023(Provisional). The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.69 times as on March 31, 2023(Provisional). The debt protection matrices of the company remain comfortable marked by Interest coverage ratio (ICR) of 10.08 times and debt service coverage ratio (DSCR) of 10.07 times for FY2023(Provisional). The net cash accruals to total debt (NCA/TD) stood healthy at 0.88 times in FY2023(Provisional). Going forward, Acuité believes the financial risk profile of the company will remain above average on account of steady net cash accruals owing to stable profitability margins with no major debt funded capex plan over the near term.

- **Efficient Working Capital Management**

The working capital management of the company is efficient marked by GCA days of 29 days in FY2023(Provisional) as compared to 43 days in FY2022. Moreover, the collection period of the company also stood comfortable at 13 days in FY2023(Provisional) as compared to 20 days in the FY2022. Further, the inventory days of the company stood at 5 days in FY2023 (Provisional) as compared to 7 days in the FY2022. Acuité believes that the working capital operations of the company will remain at the similar levels over the medium term.

Weaknesses

- **Continuous deterioration in profitability margin**

Over the past three years, the company's profitability has shown a decline, evident from the drop in the operating profit margin. In FY2023 (Provisional), it stood at 2.41 percent, compared to 2.98 percent in FY2022 and 3.36 percent in FY2021. This decline is primarily attributed to the rising cost of raw materials.

Furthermore, the company reported net profitability margin of 2.21 per cent in FY2023(Provisional as compared to 1.86 per cent in FY2022. Acuité believes the profitability margin of the company will be improved at healthy levels over the medium term on account of availability of raw material.

- **Navigating Regulatory Shifts and Competitive Landscape**

The shrimp processing and export industry is characterized by fragmentation, with numerous small players, and a heavy reliance on shrimp farms for raw materials, which constrains bargaining power. Furthermore, the procurement price of shrimp is subject to fluctuations based on catch and availability during specific periods, resulting in the company's exposure to price volatility. Additionally, since the entirety of the company's revenue comes from exports, its credit risk profile is sensitive to fluctuations in forex rates. Moreover, the company faces risks related to changes in regulations and demand trends in client countries, including the possibility of antidumping duties being imposed by importing nations.

Rating Sensitivities

- Sustained financial risk profile
- Growth in the scale of operations while improving its profitability margins

All Covenants

Not Applicable

Liquidity Position

Adequate

The company has adequate liquidity marked by comfortable net cash accruals of Rs.3.03 Cr in FY2023 (Provisional) as against no long term debt obligations over the same period. The current ratio of the company stood comfortable at 1.95 times in FY2023(Provisional). Further, the average utilisation of the fund-based limits stood at ~32.15 percent during the last six months ended in July 2023. Moreover, the working capital management of the company is efficient marked by GCA days of 29 days in FY2023 (Provisional) as compared to 43 days in FY2022. Acuité believes that going forward the company will maintain adequate liquidity position due to steady 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.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	109.82	77.65
PAT	Rs. Cr.	2.43	1.44
PAT Margin	(%)	2.21	1.86
Total Debt/Tangible Net Worth	Times	0.19	0.31
PBDIT/Interest	Times	10.08	4.56

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

CRISIL vide its press release dated 24th August 2022, had rated the company to 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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Jul 2022	Working Capital Term Loan	Long Term	1.00	ACUITE BB+ | Stable (Reaffirmed)
	Packing Credit	Short Term	2.95	ACUITE A4+ (Assigned)
	FBN/FBP/FBD/PSCF/FBE	Short Term	5.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	0.35	ACUITE A4+ (Reaffirmed)
	FBN/FBP/FBD/PSCF/FBE	Short Term	5.00	ACUITE A4+ (Assigned)
	Packing Credit	Short Term	9.05	ACUITE A4+ (Reaffirmed)
	Working Capital Term Loan	Long Term	1.50	ACUITE BB+ | Stable (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.35	ACUITE A4+ | Reaffirmed
Canara Bank	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A4+ | Reaffirmed
Canara Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A4+ | Reaffirmed
Not Applicable	Not Applicable	Proposed Working Capital Term Loan	Not Applicable	Not Applicable	Not Applicable	Simple	4.50	Not Applicable | Withdrawn

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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.