

Press Release

Smsea Marines Private Limited

September 05, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 13.50 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed 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. 13.50 crore bank facilities of SMSEA MARINES PRIVATE LIMITED (SMPL). The outlook is '**Stable**'.

Incorporated in 2012, SMSEA Marines Private Limited (SMPL) is a Vishakhapatnam (Andhra Pradesh) based company promoted by Mr. S. Venkatesh and Mrs. S. Radha Rani. The company is engaged in the activities of procurement, freezing and final packing, storing, exporting of Sea Catch products and Aqua Culture Products. The entity has a processing plant located in Vishakhapatnam with an installed capacity to process around 54 Metric Tons of raw materials per day.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of SMPL.

Key Rating Drivers

Strengths

- **Experienced management and improving revenue profile**

SMPL was incorporated in the year 2012, promoted by Mr. S Venkatesh and Mrs. S Radha Rani. Mr. S Venkatesh, who is a qualified graduate in B.A, has more than two decades of experience in the sea food industry. Mrs. S Radha Rani has a decade of experience in the sea food industry. The experience of the management has helped the company to grow over the years.

- **Improving profitability**

The operating margins of the company improved to 5.93 per cent in FY2019 (Provisional) from 4.44 per cent in FY2018. Further, profit after tax (PAT) margins have stood at 1.70 per cent in FY2019 (Provisional) as against 1.72 per cent in FY2018.

- **Comfortable Working Capital Management**

The working capital is comfortably managed marked by Gross Current Asset (GCA) days of 65 for FY2019 (Provisional) as against 47 in the previous year. This is on account of decrease in inventory days, which stood at 13 for FY2019 (Provisional) as against 9 for FY2018. Further, debtor days increased to 52 for FY2019 (Provisional) from 39 in FY2018.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by moderate net worth and comfortable debt protection measures and high gearing. The net worth of the company is moderate at Rs.6.15 crore as on 31 March, 2019 (Provisional) as against Rs.5.54 crore as on 31 March, 2018. The gearing of the company stood high at 1.39 times as on March 31, 2019 (Provisional) as against 1.17 times as on March 31, 2018. Total debt of Rs.8.51 crore consists of term loan of Rs.2.85 crore and working capital facility of Rs.5.66 crore as on 31 March, 2019 (Provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 2.38 times as on 31 March, 2019 (Provisional) as against 2.29 times as on 31 March, 2018. Interest Coverage Ratio (ICR) stood at 4.28 times in FY2019 (Provisional) as against 6.26 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.23 times as on 31 March, 2019 (Provisional) as against 0.33 times as on 31 March, 2018. Debt Service Coverage Ratio (DSCR) stood at 3.85 times in FY2019 (Provisional) as against 1.48 times in FY2018.

Weaknesses

• Decline in scale of operations

The entity reported revenue of Rs. 64.79 crore on provisional basis in FY2018. For FY2017, the operating revenue of the entity is Rs. 43.32 crore compared to the revenue of Rs. 16.74 crore in FY2016. The company has manufacturing unit located at Vishakhapatnam, which is aquaculture zone and it helps the entity by providing proximity to raw materials.

• Intense competition from domestic and international players

The business is highly exposed to changes in the government policies in exporting countries and competitive pressure from domestic and international players. The Sea food industry is also susceptible to diseases and climatic changes.

Liquidity Position

SMPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.93 in FY2019 (provisional), Rs.2.07 crore in FY2018 and Rs.1.46 crore in FY2017, while its maturing debt obligation was around Rs.0.77 crore over the same period. The company's working capital operations are comfortable as marked by gross current asset (GCA) days of 65 in FY 2019 (Provisional). The company maintains unencumbered cash and bank balances of Rs.0.08 crore as on March 31, 2019 (Provisional). The current ratio of the company stood at 1.00 times as on March 31, 2019 (Provisional).

Outlook

Acuite believes that the outlook on Smsea Marines Private Limited will remain 'Stable' over the medium term on account of the experience of the promoters in the sea food industry and improving revenue profile. The outlook may be revised to 'Positive' in case the firm registers significant growth in its revenues, while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital cycle due to higher than expected inventory levels.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	49.62	65.42	43.32
EBITDA	Rs. Cr.	2.94	2.90	2.13
PAT	Rs. Cr.	0.85	1.12	0.43
EBITDA Margin	(%)	5.93	4.44	4.92
PAT Margin	(%)	1.70	1.72	1.00
ROCE	(%)	13.61	17.50	10.29
Total Debt/Tangible Net Worth	Times	1.39	1.17	1.53
PBDIT/Interest	Times	4.28	6.26	3.80
Total Debt/PBDIT	Times	2.93	2.18	3.01
Gross Current Assets (Days)	Days	65	47	31

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

None.

Any other information

Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
20-July-2018	Packing Credit	Long Term	5.50	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE BB / Stable (Assigned)
	Bills Discounting	Long Term	5.00	ACUITE A4+ (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
Packing Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE BB / Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB / Stable (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Reaffirmed)

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About Acuite Ratings & Research:

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