

Press Release

Smsea Marines Private Limited

October 20, 2020

Rating Upgraded & Withdrawn



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Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.13.50 crore bank facilities of SMSEA Marines Private Limited (SMPL). The outlook is '**Stable**'.

Acuité has withdrawn the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on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.8.00 crore bank facilities of SMSEA Marines Private Limited (SMPL).

Rating upgrade is reflected by improvement in the scale of operations and profitability. The operating revenues increased to Rs.62.30 crore in FY2020 (Provisional) from Rs.48.68 crore in FY2018. Further, it expected to achieve operating revenues to the levels of FY2020 backed by revenues of around Rs.38.00 crore for the period April to September, 2020. The operating margins increased year-on-year to 6.03 per cent in FY2020 (Provisional) from 5.80 per cent in FY2019 and 4.46 per cent in FY2018. Profit after Tax (PAT) margins increase to 3.30 per cent in FY2020 (Provisional) from 1.60 per cent in FY2019. The rating is also supported by experienced management and its geographical diversity in sales.

Incorporated in 2012, SMSEA Marines Private Limited (SMPL) is a Vishakhapatnam (Andhra Pradesh) based company which is being promoted by Mr. Venkatesh Sirimalla and Mrs. Radha Rani Sirimalla. 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

Acuité has considered the standalone financial and business risk profile of SMPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

The day to day operations of the company is carried out by its directors, Mr. Venkatesh Sirimalla and Mrs. Radha Rani Sirimalla, who has experience of over two decades in the marine foods industry. The experience of management has helped the company develop healthy relations with suppliers and customers.

Acuité believes that the company will continue to benefit from its experienced management and established relationships with suppliers and customers.

• Improved scale of operations and profitability

Scale of operations has increased in FY2020 marked by operating revenues of Rs.62.30 crore (Provisional) as against Rs.48.68 crore in FY2019. This is majorly because of the increase in volume sales. The operating margins increased to 6.03 percent (Provisional) in FY2020 from 5.80 percent in FY2019. The net profit margins have also increased to 3.30 percent (Provisional) in FY2020 from 1.60 percent in FY2019.

Acuité believes that the scale of operations and profitability will remain muted for FY2021 on account of COVID-19. Revenue for the period April, 2020 to September, 2020 is around Rs. 37.80 crore and it is expected to be around Rs.61.00 crore for FY2021.

• Comfortable working capital operations

SMPL's working capital operations are comfortable marked by low Gross Current Asset (GCA) days of 82 (Provisional) in FY2020 as against 59 in the previous year. Inventory days increased to 53 (Provisional) for FY2020 as against 18 for FY2019. Debtor days stood at 32 (Provisional) for FY2020 as against 43 for FY2019.

Acuité believes that working capital operations will remain comfortable due to the nature of the business.

Weaknesses

• Average financial risk profile

SMPL has average financial risk profile marked by modest net worth, moderate debt protection metrics and high gearing. The tangible net worth stood modest at Rs.8.36 crore (Provisional) as on 31 March, 2020 as against Rs.6.31 crore as on 31 March, 2019. The gearing (debt-equity) stood high at 1.56 times (Provisional) as on 31 March, 2020 as against 1.33 times as on 31 March, 2019. Total debt as on 31 March, 2020 stood at Rs.13.08 crore (Provisional) which consist of a term loan of Rs.4.65 crore and working capital of Rs.8.43 crore. Total outside Liabilities/Tangible Net Worth (TOL/TNW) ratio stood at 2.27 times (Provisional) as on 31 March, 2020 as against 2.21 times as on 31 March, 2019. Interest Coverage Ratio (ICR) stood at 4.69 times (Provisional) in FY2020 as against 3.64 times in FY2019. Net cash accrual/Total debt (NCA/TD) stood at 0.25 times (Provisional) in FY2020 as against 0.23 times in FY2019.

Liquidity Position: Adequate

SMPL has adequate liquidity, marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.3.16 crore (Provisional) in FY2020 as against Rs.1.86 crore in FY2019, while its maturing debt obligation was around Rs.1.04 crore (Provisional) in FY2020 as against Rs.1.04 crore in FY2019. The company's working capital operations are comfortable as marked by gross current asset (GCA) days of 82 (Provisional) in FY2020. The company maintains unencumbered cash and bank balances of Rs.0.09 crore (Provisional) as on 31 March, 2020. The current ratio of the company stood at 1.21 times (Provisional) as on 31 March, 2020.

Outlook: Stable

Acuité believes that SMPL will continue to maintain a 'Stable' outlook and benefit over the medium term owing to the experienced management. The outlook may be revised to 'Positive' in case the company generates revenue and profitability with prudent working capital management and sustains the financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected scale of operations along with profitability and higher working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Crore	62.30	48.68
Profit after tax (PAT)	Rs. Crore	2.06	0.78
PAT margin	%	3.30	1.60
Total debt / Tangible Net worth	Times	1.56	1.33
PBDIT / Interest	Times	4.69	3.64

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

CARE, vide its press release dated August 02, 2019 had denoted the rating of SMSEA MARINES PRIVATE LIMITED as 'CARE BB-/CRISIL A4; ISSUER NOT CO-OPERATING' on account of lack of adequate information required for monitoring the ratings.

Any other information

None

Material Covenant

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- 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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Sept-2019	Packing Credit	Long Term	5.50	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	3.00	ACUITE BB/Stable (Reaffirmed)
	Bills Discounting	Short Term	5.00	ACUITE A4+ (Reaffirmed)
20-Jul-2018	Packing Credit	Long Term	5.50	ACUITE BB/Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE BB/Stable (Assigned)
	Bills Discounting	Short 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	10.50*	ACUITE BB+/Stable (Upgraded from ACUITE BB/Stable)
Term Loan	05-12-2013	13.25 %	08-06-2020	3.00	ACUITE BB+ (Withdrawn)
Foreign Bills Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB+/Stable (Upgraded from ACUITE BB/Stable)

*sub-limit to Rs.4.00 crore to foreign bill discounting.

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About Acuite Ratings & Research:

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