

Press Release

Pasupati Aquatics Private Limited

November 22, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 75.00 Cr.
Long Term Rating	ACUITE BB/Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 75.00 crore bank facilities of Pasupati Aquatics Private Limited (PAPL). The outlook is '**Stable**'.

Incorporated in 2007 - Pasupati Aquatics Private Limited (PAPL), is a West Bengal based company engaged in export of processed shrimps in frozen condition. Initially PAPL was supplying marine products to various export houses and since 2014 PAPL started exporting marine products directly. The company does not own any manufacturing unit and gets their products processed (Vannamai and Black Tiger) and packed on job work basis. The processed shrimps are sold under the different brands namely Kasturi, Kasturi Gold, Kasturi Platinum. The company is promoted by the Mondol family who has a rich experience in sea food business.

Analytical Approach:

Acuite has taken a standalone view of the business and financial risk profile of PAPL to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management

Incorporated in 2007- PAPL has a track record of over a decade in the sea food business. The company was promoted by the Mondol family who has a rich experience in the aqua culture business since last two decades. The experienced management has helped the company to penetrate new geographies like USA, South Africa and middle countries in the last 2-3 years.

Improvement in revenue and profitability

The revenue improved from Rs 46.17 crs in FY 2016 to Rs 127 crs in FY 2018 thereby registering a CAGR of 66.16 % in the last two years. The export sales of shrimps grew at CAGR of 115.36 % during the last 2 years from Rs 23.35 crs in FY 2016 to Rs 108.30 crs in FY 2018. Further, during the current year the revenue improved to Rs 113 crs till September'18. The increase in topline is majorly due to penetrate the markets in USA in 2017. The profitability margins also improved as evident from EBITDA margins of 4.23 % in FY 2018 from 2.05 % in FY 2016. The improvement in margins is mainly on account of improvement in realization of shrimps.

Comfortable financial risk profile

The comfortable financial risk profile of the PAPL is marked by its modest net worth, comfortable gearing and debt protection metrics. The net worth stood at Rs. 16.71 cr as on 31st March'2018 as compared to Rs 7.28 crs in the previous year. The management infused Rs 7.50 crs as equity in FY 2018. The debt to equity ratio of the company stood at 0.96 times as on 31st March, 2018 as against 0.20 times as on 31st March, 2017. PAPL reported a comfortable interest coverage ratio of 2.48 times in as on 31st March, 2018 as against 2.56 times as on 31st March, 2017. Going forward, Acuite expects moderation in the financial risk profile due to the capex currently undertaken.

Weaknesses

Debt funded capex plan

The company is currently undertaking a capex to set up its own manufacturing unit. Currently PAPL gets their products processed (Vannamai and Black Tiger) and packed from three other units. The total project cost is Rs 45 crs to be funded by term loan of Rs 25 crs and Rs 20 crs of equity and internal cash accruals of which ~ Rs 15 crs is expended till date. The project is expected to be completed by March'19. The proposed facility will have installed capacity of 20,400 MT p.a. (for processing) and 4,000 MT (for storage) which is almost double than the rented capacity being used. The additional capacity will help PAPL to increase its topline. Further, PAPL will save the processing cost which will help in increasing its EBITDA margins in the medium term. However, the rating is exposed to the risk related to the funding and implementation of the project. Timely infusion of the funds and completion of the project without any significant delay is a key rating sensitivity.

Susceptibility to risks inherent in the seafood industry

The company remains vulnerable to the inherent risks in the seafood industry such as susceptibility to diseases, climate changes, fluctuations in the exchange rate, adverse change in domestic and foreign Government policies, which include modifications in export incentives offered to the industry and application of stringent quality requirements.

Outlook: Stable

Acuite believes that company will continue to benefit over the medium term from the promoters experience in the sea food business. The outlook may be revised to 'Positive' if the company timely completes the project undertaken thereby achieving more than envisaged sales and profitability. Conversely, the outlook may be revised to 'Negative' if there is a significant delay in completing the project leading to the deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	127.26	115.73	46.17
EBITDA	Rs. Cr.	5.39	3.43	0.95
PAT	Rs. Cr.	2.18	1.51	0.54
EBITDA Margin	(%)	4.23	2.96	2.05
PAT Margin	(%)	1.72	1.31	1.18
ROCE	(%)	26.54	48.90	40.93
Total Debt/Tangible Net Worth	Times	0.96	0.20	1.06
PBDIT/Interest	Times	2.48	2.56	2.55
Total Debt/PBDIT	Times	2.64	0.36	2.20
Gross Current Assets (Days)	Days	81	28	69

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BB / Stable
Proposed Export Packing Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A4+
Foreign Bill Discounting	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE A4+
Proposed Foreign Bill Discounting	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE A4+
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+

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About Acuité Ratings & Research:

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