

Press Release
Pasupati Aquatics Private Limited

July 30, 2019



Rating Upgraded

Total Bank Facilities Rated*	Rs. 80.00 Cr.
Long Term Rating	ACUITE BBB- /Stable (Upgraded from BB/Stable)
Short Term Rating	ACUITE A3 (Upgraded from A4+)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BBB-**' (**read as ACUITE triple B minus**) from '**ACUITE BB/Stable**' and the short term rating to '**ACUITE A3**' (**read as ACUITE A three**) from '**ACUITE A4+**' to the Rs. 80.00 Cr. bank facilities of Pasupati Aquatics Private Limited (PAPL). The outlook is '**Stable**'.

The rating upgrade factors in the improvement in the business and financial risk profile of the group at a consolidated level. The rating upgrade factors in the significant improvement in the turnover levels of the group which has increased from Rs. 475.87 crore in FY 2019 (Provisional) as compared to Rs. 348.03 crore in the previous year, thereby marking a y-o-y growth of 37 per cent. The improvement in topline coupled with rise in profitability margins has resulted in healthy cash accruals in FY 2019 (Provisional). Further, the group has a comfortable financial risk profile of the group and efficient working capital management. These strengths are partially offset by ongoing debt funded capex plan in PAPL.

Pasupati Aquatics Private Limited (PAPL) and Kasturi Aqua Life Products Private Limited (KAPL) are together referred to as Kasturi group.

Incorporated in 2007, Pasupati Aquatics Private Limited (PAPL) is a West Bengal based company engaged in export of processed shrimps. The company gets their products (Vannamei and Black Tiger) processed and packed from 3 units, namely, SD Heavy Sea Food Private Limited, Sahada Exports and MMC exports. Currently, PAPL is in the process of setting up its own unit at Kolkata-Digha Highway. The processed shrimps are sold under the brand names 'Kasturi', 'Kasturi Gold' and 'Kasturi Platinum'. The company is promoted by Mr. Chintamani Mondol and Mr. Subhajit Mondol who have experience of over two decades in sea food business.

Incorporated in 2003, Kasturi Aqua Life Products Private Limited (KAPL) trades in fish feeds and supplements, probiotics, and raw shrimps in West Bengal. The company is the sole distributor of CPF India Private Limited for feeds and supplements in Purba Mednipur (West Bengal). It also provides advisory, consultation, and supervision to the farmers for cultivation of shrimps. The day-to-day operations are handled by Mr. Subhajit Mondol (son of Mr. Chintamani Mondol).

Analytical Approach

Acuité has now considered the consolidated business and financial risk profile of Pasupati Aquatics Private Limited (PAPL) and Kasturi Aqua Life Products Private Limited (KAPL) together referred to as Kasturi group to arrive at the rating. This is due to a corporate guarantee extended by KAPL to PAPL for the bank facilities sanctioned in March, 2019. Moreover, the two entities share a common management and have operational linkages between the two.

Key Rating Drivers

Strengths

- Long track record of operations and experienced promoters**

The Kasturi group has a long track record of over a decade in the sea food business. The group is promoted by the Mondol family who has rich experience in the aqua culture business since last two

decades. Currently, the day-to-day operations are handled by Mr. Subhajit Mondol (son of Mr. Chintamani Mondol). Acuité believes that the promoters' extensive experience has helped the group to establish long term relations with customers and suppliers and the same is reflected in steady growth in the scale of operations.

- **Improvement in revenues and profitability**

The revenues of the group improved from Rs. 348.03 crore in FY 2018 to Rs. 475.87 crore in FY 2019 (Provisional), thereby registering a growth of 37% year on year. The increase in top-line is on account of rise in volume growth of shrimps driven by higher exports to USA and Vietnam coupled with steep improvement in realization from sale of shrimps which contributes ~46 per cent of the total revenues. Currently, PAPL has ~38-40% of its export sales to USA markets as of FY19 (Provisional) as against 20-25% in the previous year. Acuité believes the group's scale of operations will continue to grow over the medium term backed by robust demand for shrimp exports.

- **Comfortable financial risk profile**

The financial risk profile of the group is comfortable reflected by modest net worth and gearing and healthy debt protection metrics. The net worth of the group is modest at Rs. 33.35 crore in FY2019 (Provisional) as compared to Rs. 24.71 crore in the previous year. The gearing deteriorated to 2.08 times on 31 March, 2019 (Provisional) as against 1.49 times as on 31 March, 2018 on account of significant debt funded capital expenditure towards purchase of machinery. Total debt of Rs.69.21 crore as on 31 March, 2019 (Provisional) consist of Rs.5.07 crore of long term borrowings, Rs.3.00 crore of unsecured loans from Directors and relatives and short term borrowings of Rs. 61.14 crore. Moreover, the debt protection metrics is comfortable marked by interest coverage ratio (ICR) of 2.26 times in FY2019 (Provisional) and debt service coverage ratio (DSCR) of 1.37 times as on March 31, 2019 (Provisional). The net cash accruals to total debt remained at 0.10 times as on March 31, 2019 (Provisional).

- **Efficient working capital management**

The group's working capital operations are efficiently managed marked by gross current asset (GCA) days of about 57 in FY2019 (Provisional) which is same as the previous year driven by timely collection of receivables of 28 days in FY19 (Provisional) as against 37 days in FY18 and inventory of 22 days in FY19 (Provisional) as against 15 days in FY18. However, its working capital limit remains utilised at an average of around 90-95 per cent over the six months ended May 2019. Acuité believes that the group's working capital intensity are likely to remain at similar levels.

Weaknesses

- **Debt funded capex plan**

The group is currently undertaking a project to set up their own processing unit in PAPL. As of now, PAPL is dependent on other processing units and gets their products (Vannamei and Black Tiger) processed and packed from 3 units, namely, SD Heavy Sea Food Private Limited, Sahada Exports and MMC exports which have total installed capacity of 10200 MTPA (for processing) and 1,000 MT (for storage). With the continuous inflow of orders and increase in topline, the management has undertaken a project to set up their own processing unit at Kolkata-Digha Highway (entire area provides rich resources of fish culture and sea caught materials).

The total cost of the project stands at ~Rs. 45 crore that will be financed by bank loan of Rs.25.00 crore, Rs.10.00 crore of promoters' contribution and Rs.10.00 crore of Government subsidy. The project is expected to be completed by Jan, 2020 and production is expected to start by April, 2020.

Acuité believes that the group's ability to complete the project on time without any significant delay and cost overruns would remain key credit metrics to the rating.

- **Susceptibility to risks inherent in the seafood industry**

The group 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.

Liquidity Profile

The group has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The group has generated cash accruals of Rs. 7.02 crore in FY2019 (Provisional) against its long term debt obligations of Rs.3.18 crore in FY2018. The group has efficient working capital cycle marked by gross current asset (GCA) days of 57 in FY2019 (Provisional). The current ratio stood at 1.10 times as on March 31, 2019 (Provisional) and the fund based limit of the group remains utilised at 90-95 percent over the six months ended May 2019. The group maintains unencumbered cash and bank balances of Rs.0.62 crore as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term.

Outlook: Stable

Acuité believes that the group will continue to benefit from the extensive experience of the promoter. The outlook may be revised to 'Positive' in case of higher-than-expected revenues and profitability, leading to a substantial increase in cash accrual. The outlook may be revised to 'Negative' in case of delay in completion of project, or weakening of financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	475.87	348.03	367.65
EBITDA	Rs. Cr.	14.30	9.78	6.82
PAT	Rs. Cr.	5.41	3.30	2.72
EBITDA Margin	(%)	3.00	2.81	1.86
PAT Margin	(%)	1.14	0.95	0.74
ROCE	(%)	18.15	22.04	33.54
Total Debt/Tangible Net Worth	Times	2.08	1.49	0.91
PBDIT/Interest	Times	2.26	2.45	2.73
Total Debt/PBDIT	Times	4.20	3.26	1.57
Gross Current Assets (Days)	Days	57	57	28

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

CARE, vide its press release dated January 07, 2019 had denoted the rating of Pasupati Aquatics Private Limited as 'CARE BB/A4+; ISSUER NOT COOPERATING'

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>
- Consolidation of Companies - <https://www.acuite.in/view-rating-criteria-22.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
22-Nov-2018	Proposed Term Loan	Long Term	25.00	ACUITE BB / Stable (Assigned)
	Proposed Export Packing Credit	Short Term	30.00	ACUITE A4+ (Assigned)
	Foreign Bill Discounting	Short Term	9.50	ACUITE A4+ (Assigned)
	Proposed Foreign Bill Discounting	Short Term	9.50	ACUITE A4+ (Assigned)

	Proposed Bank Guarantee	Short Term	1.00	ACUITE A4+ (Assigned)
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*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB-/Stable (Upgraded from BB/Stable)
Export Packing Credit	Not Applicable	Not Applicable	Not Applicable	9.50	ACUITE A3 (Upgraded from A4+)
Foreign Bill Discounting	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Upgraded from A4+)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3 (Upgraded from A4+)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	27.50	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Upgraded from A4+)

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About Acuité Ratings & Research:

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