

Press Release

Lito Marine Exports Private Limited

November 22, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B**' (read as **ACUITE B**) to the Rs. 12.00 crore bank facilities of Lito Marine Exports Private Limited (LITO). The outlook is '**Stable**'.

Lito was incorporated in October 2016 at Visakhapatnam (Andhra Pradesh). The promoters of the company are Mr. Gambeli Seetaraju, Ms Gembali Swati, Mr. Badam ramesh, Mr. Naramsetti Rama Krishna Rao, Mr. Lekkala Venkat Reddy, Ms. Sanka Deepa and Mr. Jayakrishna K.S. Nair. The company is setting up a shrimp processing unit in the aqua belt of Visakhapatnam.

Analytical Approach

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

Key Rating Drivers

Strengths

- Experience of promoters and favorable processing location**

The promoters of the company are from diversified sectors with experience of over two decades. Mr. Seetaraju is from Pharma background, Mr. Venkat Reddy is from construction field and other Directors in the fields of human resource management and accounting. They ventured into setting up of a shrimp processing unit in the aqua belt of Visakhapatnam. The promoters' pending sanction of loan has brought in their share of equity of about Rs.6.00 crore to complete the project as per the timelines. Acuite believes that Lito is expected to benefit from the promoters' diversified experience in commencement of the operations as scheduled and the operational advantages from the area of operations.

Weaknesses

- Ongoing capex**

The company is in process of setting up a new shrimp processing plant. The total envisaged project cost is around Rs.16.49 crore which is proposed to be funded out of term loan of Rs.9.25 crore, and rest through equity and unsecured loan. The promoters' have already brought in their share of funds and have invested on purchase of land, and construction of factory building and for capital advances. Civil works have started in June 2018, and the projected timelines for commercial operations are Q3FY2019. The company has approached for sanction of term loan and is awaiting for financial closure; this exposes it to funding and implementation risk. Acuite believes that any undue delay in sanction and disbursement of term loan is expected to delay the project completion and starting of commercial operations are the key rating sensitivity factors.

- Inherent risks in sea food industry and highly competitive business**

The company is exposed to agro-climatic risks, wherein, natural calamities such as floods and cyclones and also aqua culture seasons can have serious impact on the prospects of successful aqua culture. Despite the technical advancement, shrimps getting affected by virus cannot be ruled out. The risk of extreme climatic conditions and disease outbreaks are inherent to shrimp farming. Extreme climatic condition would result in adverse farming conditions which in turn affect the mortality rate and the quality of shrimp farmed and processed. Indian seafood export industry is highly fragmented with large number of players on account of low capital and technology intensity

of operations resulting in low entry barriers. In addition to the intense domestic competition, Indian exporters face competition from countries such as Vietnam, Indonesia, Thailand to name a few.

Outlook: Stable

Acuite believes that the outlook on Lito will remain 'Stable' over the medium term on account of its experienced promoters. The outlook may be revised to 'Positive' in case of early completion of the project and better than the expected cash accruals. Conversely, the outlook may be revised to 'Negative' in case of any cost or time overrun in the project or less-than-expected accruals leading to stretch in its liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	0.00	0.00
EBITDA	Rs. Cr.	0.00	-0.01
PAT	Rs. Cr.	0.00	-0.01
EBITDA Margin	(%)	0.00	0.00
PAT Margin	(%)	0.00	0.00
ROCE	(%)	-0.11	-7.43
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	-2.69	-5.18
Total Debt/PBDIT	Times	0.00	0.00
Gross Current Assets (Days)	Days	0	0

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/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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Proposed Packing Credit	Not Applicable	Not Applicable	Not Applicable	2.75	ACUITE B / Stable
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	9.25	ACUITE B / Stable

Contacts

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About Acuité Ratings & Research:

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