

Press Release

Yashaswi Fish Meal And Oil Company

May 08, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 110.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB (read as ACUITE triple B)**' to the Rs.110.00 crore bank facilities of Yashaswi Fish Meal And Oil Company (YFOC). The outlook is '**Stable**'.

Established in 2007 as a partnership firm, YFOC is promoted by eleven partners at Pithrody Village, Udipi (Karnataka). The firm is engaged in the manufacturing and export of fishmeal and fish oil, sardines being its major raw material. YFOC has two manufacturing units in Pithrody and Manipal having a total installed capacity to produce 150 and 30 tons per day of fishmeal and fish oil, respectively. Further, the firm has set up a SEZ unit in Mangalore for export of frozen Surimi.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the YFOC to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and established market position**

YFOC has been engaged in the manufacturing of fishmeal and fish oil for more than a decade. Its partners have gained extensive experience in the industry and have expertise in different areas. They have established long track record with reputed customers including Avanti Feeds Limited, CPF India and Devi Sea Foods to name a few. Within a decade, the firm has been able to achieve turnover of more than Rs.300 crore with good profitability margins.

Acuite believes that the firm will be able to sustain its existing business risk profile on the back of extensive experience of the partners and its established market position.

- **Healthy financial risk profile**

The financial risk profile of the firm is marked by high tangible net worth, high debt protection measures and low gearing. The net worth of the firm stood at Rs.96.06 in FY2018 as against Rs.52.60 in FY2017. The increase in net worth is majorly on account of retention of previous year's profit. The firm has followed a conservative financial policy as reflected by peak gearing of 0.83 times over the last three years through 2017-18. The gearing of the firm has improved year on year to 0.66 times as on March 31, 2018. Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.96 times as on 31 March, 2018 as against 1.28 times as on 31 March, 2017 and is estimated to remain under 0.80 times over the medium term. The healthy revenue levels coupled with high operating margins have resulted in healthy debt protection measures. Interest Coverage Ratio (ICR) improved to 13.22 times in FY2018 against 10.05 times in FY2017 due to lower interest cost and higher profitability. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.73 times as on March 31, 2018 as against 0.96 times as on March 31, 2017. Debt Service Coverage Ratio (DSCR) stood at 13.22 times in FY2018 as against 10.05 times in FY2017.

Acuite believes that the financial risk profile of YFOC will continue to remain strong over the medium term on account of its high net worth, healthy profitability and conservative financial policy.

Weaknesses

• Project implementation and off take risk

The firm has set up a SEZ unit in Mangalore to export frozen Surimi. The total cost of the project is Rs.73.04 crore; out of which, Rs.25.00 crore is funded by way of long term loan from the bank, Rs.38.04 crore as promoters' contribution and remaining Rs.10.00 crore will be funded through subsidy. The project is completed and expected to commence its operations from May 2019. Subsidy of Rs.10.00 crore is yet to be received from the government. The project is expected to generate export revenues of Rs.150-200 crore in FY2020.

Acuite believes that the scheduled commencement of the manufacturing unit, no additional debt requirement, favourable demand and availability of customer base will be key rating sensitivities.

• Susceptibility of margins to fluctuations in raw material prices, forex risks and intense competition

The firm procures its major raw material, i.e. sardines, from local markets. Due to climatic changes, availability of sardines is a major challenge that could severely impact revenues from fishmeal segment. The firm sells 80 per cent in the domestic market and exports the remaining to Saudi Arabia, Vietnam, and Canada, among others. The prices of sardines and fishmeal are market determined and fluctuating in nature that affects the margins of the firm. Further, the firm's margins are also susceptible to the currency fluctuations. The seafood industry is highly competitive and fragmented marked by presence of several organised and unorganised players, thereby putting pressure on the profitability margins.

Liquidity Position:

Liquidity of YFOC is comfortable marked by high net cash accruals of Rs.35-40 crore during the last two years. The cash accruals of the firm are expected to decline and remain in the range of Rs.25-35 crore with repayment obligations in the range of Rs.2-4 crore. The firm has a moderate working capital cycle as evident by moderate gross current asset (GCA) days of 127 in FY2018. The overdraft facility in the firm remained utilised at around 80 percent during the last 6 months ended March 2019. The firm maintains unencumbered cash and bank balances of Rs.7.45 crore as on March 31, 2018. The current ratio of the firm stood moderate at 1.57 times as on March 31, 2018. Acuite believes that the liquidity of the firm will remain comfortable over the near to medium term on account of healthy net cash accruals and lower repayment obligations.

Outlook: Stable

Acuite believes that YFOC will maintain a 'Stable' outlook and benefit over the medium term from its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' if the firm reports higher than expected revenues from the SEZ unit in Mangalore. Conversely, the outlook may be revised to 'Negative' in case of delay in the SEZ project commencement, cost overruns, lack of demand leading to deterioration in financial risk profile or elongation of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	384.87	367.14	329.19
EBITDA	Rs. Cr.	48.44	42.28	29.31
PAT	Rs. Cr.	41.46	35.34	22.98
EBITDA Margin	(%)	12.59	11.57	8.90
PAT Margin	(%)	10.77	9.63	6.98
ROCE	(%)	36.00	48.71	75.69
Total Debt/Tangible Net Worth	Times	0.65	0.76	0.83
PBDIT/Interest	Times	13.22	10.05	8.53
Total Debt/PBDIT	Times	9.28	10.05	8.53
Gross Current Assets (Days)	Days	127	92	81

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

None

Any other information

Not applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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
Bank Overdraft	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE BBB /Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB /Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.66	ACUITE BBB /Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE BBB /Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB /Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.34	ACUITE BBB /Stable (Assigned)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Rishabh Mundada Analyst - Rating Operations Tel: 022-49294051 rishabh.mundada@acuiteratings.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.

