

Press Release

Dhruvi Aqua Private Limited

August 08, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE B**' (**read as ACUITE B**) on the Rs. 6.00 crore bank facilities of DHRUVI AQUA PRIVATE LIMITED (DAPL). The outlook is '**Stable**'.

Gujarat based, DAPL was incorporated in 2009 by Mr. Sudhir Patel. The company is engaged in trading of prawns. The company sells prawns to local dealers and exporters. The company has registered office at Surat, Gujarat.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management:

The Director of the company, Mr. Sudhir Patel has more than a decade experience in the trading of sea food and aqua feed industry. He looks after the day to day operations of the company.

Weaknesses

Below average financial risk profile:

The company has below average financial risk profile marked by high gearing and moderate coverage indicators. The company's gearing (debt to equity) ratio stood at 5.43 times as on March 31, 2019 (Prov.) as against 6.77 times as on March 31, 2018. Interest coverage ratio stood at 2.05 times for FY 2019 (Prov.) as compared to 1.97 times in the previous year. Total debt of Rs.6.08 crore as on March 31, 2019 (Prov.) comprises mainly of working capital borrowings. TOL/TNW stood at 7.21 times as on March 31, 2019 (Provisional).

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, climatic changes, adverse changes in government policies and stringent quality requirements.

Liquidity position:

The company has adequate liquidity marked by moderate net cash accruals to its debt maturity obligations. The company generated cash accruals of Rs.0.37 crore during FY2019 (provisional) against the debt maturity obligation of Rs. 0.19 crore for the same period. The cash accruals of the company are estimated to be in range from Rs. 0.33 crore in FY2020 to Rs.0.43 crore in FY2022, while the debt maturity obligations for the period (FY 2020-2022) would be around Rs. 0.12 crore each year. The company maintains cash and bank balances of Rs.0.07 crore as on March 31, 2019 (Provisional). The current ratio of the company stood at 1.16 times as on March 31, 2019 (Provisional). Acuité believes that the liquidity of the company is likely to remain moderate over the medium term on account of moderate cash accrual to its maturing debt obligation.

Outlook: Stable

Acuité believes that the outlook on the DAPL will remain 'Stable' over the medium term on account of the experience of the promoter in the sea food industry. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenue and improving financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of stretched working capital cycle or deterioration in margins.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	27.56	29.81	26.93
EBITDA	Rs. Cr.	0.79	0.39	0.15
PAT	Rs. Cr.	0.09	0.06	0.05
EBITDA Margin	(%)	2.86	1.29	0.56
PAT Margin	(%)	0.32	0.20	0.17
ROCE	(%)	8.26	8.21	8.56
Total Debt/Tangible Net Worth	Times	5.43	6.77	3.63
PBDIT/Interest	Times	2.05	1.97	4.95
Total Debt/PBDIT	Times	7.72	11.68	10.49
Gross Current Assets (Days)	Days	114	78	94

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022- 49294011 rating.desk@acuite.in
Disha Parmar Analyst - Rating Operations Tel: 022-49294064 disha.parmar@acuite.in	

About Acuité Ratings & Research:

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