

Press Release

Kasturi Aqua Life Products Private Limited

October 20, 2020



Rating reaffirmed and assigned

Total Bank Facilities Rated	Rs. 65.00 crore(Enhanced from Rs.40.00 crore)
Long Term Rating	ACUITE BBB-/ Stable (Reaffirmed and Assigned)

Rating Rationale

ACUITE has reaffirmed and assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on the Rs. 65.00 crore bank facilities of Kasturi Aqua Life Products Private Limited. The outlook is '**Stable**'.

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.

About the Group

Incorporated in 2007, Pasupati Aquatics Private Limited (PAPL) is a West Bengal based company engaged in export of processed shrimps. The company is promoted by Mr. Chintamani Mondol and Mr. Subhajit Mondol. 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'.

Analytical Approach

For arriving at the ratings, Acuité has consolidated the business and financial risk profiles of Pasupati Aquatics Private Limited (PAPL) and Kasturi Aqua Life Products Private Limited (KAPL), collectively referred to as Pasupati Group, as both the entities are into a similar line of business, common management and significant operational linkages.

Key Rating Drivers

Strengths

• Experienced management and long track record of operations

The Pasupati group has a long track record of over a decade in the seafood business. The group is promoted by the Mondol family who has rich experience in the aquaculture business since last two decades. Currently, the day-to-day operations are handled by Mr. Subhajit Mondol. Additionally, the company's operations are certified by Best Aquaculture Practices (BAP) and US-FDA. Acuité believes that experienced management and long track record of operations will support the steady business risk profile over the medium term.

• Working capital efficient operations

The group's working capital operations are efficiently managed marked by gross current asset (GCA) days of 55 in FY2020 (Provisional) compared to 63 days in FY2019 driven by a timely collection of receivables of 39 days in FY2020 (Provisional) as against 33 days in FY2019 and comfortable inventory position of 7 days in FY2020 (Provisional) as against 23 days in FY2019. Acuité expects the working capital management to remain efficient over the medium term on account of the lean inventory levels maintained by the company and limited credit period extended to its customers.

• Comfortable financial risk profile

The group's comfortable financial risk profile is marked by moderate net worth, moderate gearing and healthy debt protection metrics. The net worth of the group increased to Rs.47.03 crores as on March 31, 2020(Provisional), compared to Rs.36.17 crores on March 31, 2019 due to retention of profits and capital infusion of Rs. 0.10 crore. Acuite has considered unsecured loans to the tune of Rs.5 crores as on March 31, 2020(Provisional) as part of net worth as these loans are subordinated to bank debt. The group's gearing stood moderate at 1.78 times on 31 March, 2020 (Provisional) as against 1.83 times as on 31 March, 2019. The debt of Rs.83.84 crores mainly consists of short term debt of Rs.65.12 crores and Rs.17.96 crores of long term debt as on March 31, 2020(Provisional). The healthy debt protection metrics of the group is marked by Interest Coverage Ratio which stood at 2.32 times in FY2020 (provisional) as against 2.37 times in FY2019 and Debt Service Coverage Ratio (DSCR) which stood at 1.86 times in FY2020 (provisional) as against 1.42 times in FY2019. The NCA/TD (Net Cash accruals to total debt) stood at 0.11 times in FY2020 (provisional). Acuite believes that going forward the financial risk profile of the group will remain above average over the medium term.

Weaknesses

• Exposure to regulatory changes and competition

The shrimp processing and export business is highly fragmented with the presence of several small players and dependence on shrimp farms for raw material which limits bargaining power. Additionally, the procurement price of shrimp depends on catch and availability during a particular period, which exposes the company to volatility in product prices. Furthermore, as entire revenue is generated from exports, credit risk profile remains susceptible to volatility in forex rates. Further, the company is also exposed to risk arising from regulatory changes and demand pattern in client countries and changes such as the levy of anti-dumping duties by importing countries.

• Moderate impact of economic slowdown brought by the spread of COVID-19

The ongoing economic slowdown brought on by the spread of COVID-19 across India and the rest of the world has affected the industrial activities. The slowdown is expected to negatively affect the company's revenue and profitability for the current financial year. Additionally, the group is currently undertaking a project to set up their own processing unit. The project was supposed to get completed by January 2020 and production was expected to start by March 2020, but it got delayed due to the outbreak of the pandemic as the machineries were imported from Vietnam and Sweden and their installation took a back seat due to the travel restrictions imposed in respect of the lockdown announced in our country. Acuite believes that the group's ability to complete the project without any further delay and cost overruns would remain key credit monitorable.

Rating Sensitivity

- Sustenance of working capital management
- Sustenance of growth in scale of operations

Material Covenants

None

Liquidity Profile: Adequate

The group's liquidity position is adequate, marked by moderate cash accruals of Rs.9.63 crores in FY2020 (provisional) against debt repayments of Rs.0.75 crores during the same financial year. The net cash accruals are expected to be ranging from Rs.5.49 crores to Rs.9.34 crores over the medium term. The current ratio stood at 0.99 times as on March 31, 2020 as compared to 1.07 times as on March 31, 2019. The bank limit remains utilized at 88 percent over six months ended on September, 2020. PAPL has availed loan moratorium till September 2021 but has not availed covid loan. The unencumbered cash and bank balances stood at Rs.0.88 crores as on March 31, 2020 (Provisional). Acuite believes that the liquidity of the group will remain at an adequate level supported by moderate accruals over the medium term.

Outlook: Stable

Acuite 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 further delay in completion of the project, or weakening of financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Prov)	FY19 (Actual)
Operating Income	Rs. Cr.	532.90	449.38
PAT	Rs. Cr.	7.36	5.22
PAT Margin	(%)	1.38	1.16
Total Debt/Tangible Net Worth	Times	1.78	1.83
PBDIT/Interest	Times	2.32	2.37

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

CRISIL vide its press release dated 16th January, 2020 has mentioned the rating for KALPPL of 'CRISIL BB+/Stable/Issuer not cooperating'.

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-59.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>
- Consolidation of companies – <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-Aug-2019	Cash credit	Long Term	39.50	ACUITE BBB-/Stable (Assigned)
	Proposed bank facility	Long Term	0.50	ACUITE BBB-/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs.) Crore)	Ratings/Outlook
Cash credit	Not Applicable	Not Applicable	Not Applicable	39.50	ACUITE BBB-/ Stable (Reaffirmed and assigned)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	25.50(Enhanced from 0.50)	ACUITE BBB-/ Stable (Reaffirmed and Assigned)

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About Acuité Ratings & Research:

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