

Press Release

Kasturi Aqua Life Products Private Limited

January 12, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	65.00	ACUITE BBB- Stable Reaffirmed	
Total	65.00	-	-

*Refer Annexure for details

Rating Rationale

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

The rating on the Pasupati group is driven by the established track record of operations, experienced management and diversified geographical presence of the group. The rating further takes cognizance that the group has successfully completed its capital expenditure and commenced its in-house processing of shrimps from the current financial year. However, the ratings is constrained by the average financial risk position characterized by moderate net worth, high gearing and comfortable debt protection metrics and elongated working capital cycle of the group.

About Company

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 has around 300 acres of water bodies in West Bengal. It also provides advisory, consultation, and supervision to the farmers for cultivation of shrimps. The day-to-day operations of the company is handled by the second generation director, Mr. Subhajit Mondal.

About the Group Company

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 is currently headed by the second generation director, Mr. Subhajit Mondol. In Oct, 2021, the company commenced its in-house shrimps processing unit with an installed capacity of 19,600 MTPA, which was previously processed and outsourced from 3 units, namely, Megaa Moda Pvt. Ltd. (rated at ACUITE BBB/Stable/A3+), Sahada Exports and MMC Exports Ltd. The processed shrimps are sold under the brand name i.e., Kasturi, Kasturi Gold, Kasturi Platinum.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at the ratings, Acuite 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 involved in the

marine food industry business, have common management and financial linkages in terms of cross guarantees between the entities.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

The Pasupati group has a long track record of almost two decades in the seafood business. The group is promoted by the Mondol family who have rich experience in the aquaculture industry since the group's inception. Currently, the day-to-day operations are handled by Mr. Subhajit Mondol. Additionally, the group's operations are certified by Best Aquaculture Practices (BAP) and US-FDA. In the current financial year, the group has successfully forayed into in-house processing of shrimps. Acuité believes that experienced management and long track record of operations will support the business risk profile over the medium term.

Healthy scale of operations and improvement in profitability margins

The revenue of the group were severely impacted due to covid-19 pandemic; fish feeds and supplements' harvesting was affected due to cyclone in West Bengal. The group achieved revenues of Rs.421.37 Cr in FY21 as compared to Rs.522.09 Cr in FY20, thereby registering a decline of nearly 19.29 per cent in FY21. However, in the current year, the group has booked revenues of around Rs.373 Cr till Nov'21 (prov.), marking a growth in the top line. Further, PAPL has a comfortable order book position to the tune of about Rs.110.61 Cr as on 25th Dec, 2021, which will be executed in next 3 month time period, imparting continuous revenue visibility.

The operating margin improved to 4.42 per cent in FY21 as against 3.84 per cent in the previous year. The PAT margin improved to 1.42 per cent in FY21 as against 1.31 per cent in FY20. The profit margins improved in both the companies due to reduction in transport costs in KAPL due to Covid induced lockdown; raw material costs reduced in PAPL as export market was affected and hence raw shrimps became cheaper. Acuité believes the business risk position of the group will improve further over the medium term as group has started processing shrimps in-house and is making steady efforts to penetrate new export markets.

Backward integration

The group has successfully set up a shrimps processing unit in Henria, West Bengal. The unit became operational after around one and half years delay from the scheduled completion, in the end of Oct, 2021. The capital subsidy from Marine Products Export Development Authority (MPEDA) to the tune of Rs.3.50 Cr is yet to be received. The unit has an installed capacity of 19,600 MTPA. Previously, process was outsourced from 3 units namely, Megaa Moda Pvt. Ltd., Sahada Exports and MMC Exports Ltd., with a combined installed capacity of 17,685 MTPA. After receiving MPEDA approval, the company will become a manufacturer exporter of shrimps which entails several cost benefits. Acuité believes that the group's ability to ramp up its operations while repaying its financial obligations will remain a key monitorable.

Weaknesses

Elongation in working capital cycle

Historically, the group has maintained an efficient working capital cycle. Currently, the working capital operation of the group is moderate marked by GCA (Gross Current Assets) Days of 102 days in FY21 as compared to 56 days in the previous period. High GCA days are majorly on account of stretch in the debtor period which stood at 62 days in FY21 as compared to 33 days in the previous period. The group had delayed realization from farmers due to bad harvest affected by cyclone in May, 2020 and Covid-19 pandemic. Further, during the current year also, payments are stretched in KAPL as an impact of cyclone Yaas in May, 2021 and second wave of the Covid-19 pandemic. Acuité believes the working capital cycle will remain at moderate levels over the medium.

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 group 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 group is also exposed to risk arising from regulatory changes and demand pattern in client countries and changes such as the levy of antidumping duties by importing countries.

Rating Sensitivities

- Growth in the scale of operations along with further improvement in profitability margins
- Elongation in the working capital cycle

Material Covenants

None

Liquidity Position: Adequate

The group has an adequate liquidity position marked by net cash accruals of Rs.8.32 Cr as against a long term debt obligation of only Rs.0.53 Cr during the same period. The group has cash and bank balances of around Rs.1.51 Cr and the current ratio stood at 0.99 times in FY21. The group is funding its incremental working capital requirements through additional fund based limits availed from bank. The working capital limits remained utilized at 79 percent for seven months ended September, 2021. Acuité believes that the liquidity position of the group will improve over the medium term due to steady cash accruals.

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 the net cash accrual. The outlook may be revised to 'Negative' in case of any substantial stretch in the working capital cycle leading to deterioration in the liquidity position of the group.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	421.37	522.09
PAT	Rs. Cr.	6.00	6.83
PAT Margin	(%)	1.42	1.31
Total Debt/Tangible Net Worth	Times	2.51	1.81
PBDIT/Interest	Times	2.14	2.26

About the Rated Entity - Key Financials (Standalone)

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	179.52	259.45
PAT	Rs. Cr.	1.49	2.13
PAT Margin	(%)	0.83	0.82
Total Debt/Tangible Net Worth	Times	3.11	2.73
PBDIT/Interest	Times	1.83	2.12

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

CRISIL vide its press release dated 26th April, 2021 has mentioned the rating for KAPL of 'CRISIL B/Stable/Issuer not cooperating'.

Any Other Information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Oct 2020	Cash Credit	Long Term	39.50	ACUITE BBB- Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	25.50	ACUITE BBB- Stable (Reaffirmed)
08 Aug 2019	Proposed Bank Facility	Long Term	0.50	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	39.50	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Mugberia Central Co-operative Bank Limited	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	39.50	ACUITE BBB- Stable Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	15.50	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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