

Press Release

Al Badr Seafoods Private Limited

October 01, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned a short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 6.00 crore bank facilities of AL BADR SEAFOODS PRIVATE LIMITED (ABPL).

Al Badr Seafoods Private Limited (ABPL) is a Kochi-based sea food processing company incorporated in the year 2005. The Director of the company, Mr. Yousef Alkouni Alghdr of Libyan origin, came to India in the year 2005 and later incorporated this company. The company is engaged in procurement, processing, freezing and final packing, storing, exporting of fish and fishery products.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experience of promoters and established track record of operations**

ABPL, incorporated in the year 2005 and promoted by Mr. Yousef Alkouni Alghdr, has more than a decade of experience in the sea food industry. The experience of the management has helped the company to grow over the years helping them maintain existing relations with overseas clients in countries such as West Africa, Dubai, UAE, and Morocco, which has subsequently helped the exports grow to 98 per cent. Acuité believes that the experience of the management will help growth of the company supported by clientele relations and healthy overseas demand of fish and allied products.

- **Efficient working capital management**

The working capital is efficiently managed, marked by Gross Current Asset (GCA) days of 59 for FY2019 as against 43 in the previous year. This is on account of increase in inventory days, which stood at 44 days for FY2019 as against 22 days for FY2018. Further, debtor days stood at 5 days for FY2019 from 15 days in FY2018. Acuite believes that the operations continues to maintain at similar levels owing to business cycle.

Weaknesses

- **Moderate financial risk profile**

Operations of the company are moderate marked by high total outside liabilities to tangible networth (TOL/TNW), modest networth though partly supported by comfortable debt protection metrics. Its TOL/TNW is high at 4.58 times in FY2019 against 3.7 times in FY2018; majorly comprise of payables to suppliers and advances. Its gearing is comfortable at 1.07 times as on March 31, 2019 as against 1.25 times as on March 31, 2018. Total debt of Rs. 4.47 crore consists of compulsorily convertible debentures of Rs. 3.24 crore and unsecured loans from banks of Rs. 0.37 crore. Debt protection metrics of Interest Coverage Ratio (ICR) and net cash accruals to total debt (NCA/TD) are comfortable at 8.85 and 0.33 times in FY2019 as against 17.15 and 0.29 times in FY2018. The company is in the process of raising bank loans to reduce the dependency on customer advances and unsecured loans. Acuite believes that with modest networth, the financial risk profile is expected to continue at similar levels over the medium term.

- **Intense competition from domestic and international players**

The business is highly exposed to changes in the government policies in exporting countries and competitive pressure from domestic and international players. The Sea food industry is also susceptible to diseases and climatic changes.

Rating Sensitivity Factors

- Growth in revenues with fluctuating margins
- Experienced promoters in the industry
- Deterioration in working capital management and higher than expected inventory levels

Material Covenants

None

Liquidity

ABPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.46 in FY2019, while its maturing debt obligation was around Rs.0.34 crore over the same period. The company's working capital operations are comfortable as marked by gross current asset (GCA) days of 59 in FY 2019. The company maintains unencumbered cash and bank balances of Rs.0.90 crore as on March 31, 2019. The current ratio of the company stood at 0.66 times as on March 31, 2019. Acuité believes that the liquidity is expected to remain in the same range considering the working capital operations.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	55.24	33.04	23.30
EBITDA	Rs. Cr.	1.61	1.41	1.33
PAT	Rs. Cr.	0.51	0.51	0.80
EBITDA Margin	(%)	2.91	4.26	5.73
PAT Margin	(%)	0.93	1.54	3.42
ROCE	(%)	8.35	7.52	22.47
Total Debt/Tangible Net Worth	Times	1.07	1.25	1.38
PBDIT/Interest	Times	8.85	17.15	31.43
Total Debt/PBDIT	Times	2.71	3.24	3.26
Gross Current Assets (Days)	Days	59	43	30

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History

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 Bill Discounting Facility	Not Applicable	Not Applicable	Not Applicable	*6.00	ACUITE A4+ (Assigned)

*Interchangeable with Packing Credit facilities

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About Acuité Ratings & Research:

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