

Press Release

Aqua Seafood (India) Private Limited

November 12, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs.9.00 Cr.
Long Term Rating	ACUITE B+ / Stable (Assigned)
Short Term Rating	ACUITE A4 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+** (read as ACUITE B plus) and '**ACUITE A4**' (read as ACUITE A four) to the short term facility on the Rs.9.00 crore bank facilities of AQUA SEAFOOD (INDIA) PRIVATE LIMITED (ASPL). The outlook is '**Stable**'.

Kochi based, Aqua Seafood (India) Private Limited (ASPL) is a private limited company incorporated in the year 2012 by Mr. Abdul Ziyad who has over two decades of experience in the said industry. The company is engaged in processing and exporting of fish and fishery products. The company exports its products to various countries like Vietnam, Malaysia, Thailand, Tunisia and few other East Asian countries.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced of promoters**

The company was established in 2012 and has operational track of seven years. The Managing Director Mr. Abdul Ziyad having experience of 25 years in similar line of business. Previously the promoters have been associated with other company engaged in similar industry. The experience of promoters and his acumen about the business has helped the company record a topline of Rs.27.52 crore in FY2019 (Prov). Acuité believes that the business profile will be supported with the experience of the promoters.

Weaknesses

- **Moderate Financial Risk profile**

ASPL's financial risk profile is moderate, marked by a modest networth, moderate gearing (debt-to-equity), and modest debt protection measures. ASPL's networth has remained modest at around Rs.3.12 crores as on March 31, 2019. The networth levels have remained modest due to modest scale of operations and low operating margins, which has resulted in limited accretion to reserves over the last three years through FY 2019(prov.). Though, the revenues of the company are expected to remain in the range of Rs.30.00-32.00 crore over the medium term, the low operating margins are likely to lead to limited accretion to reserves. Acuite expects the networth to remain modest in the range of Rs.5.00-6.00 crore over the medium term, in the absence of any equity infusion by the promoters.

- **Small scale of operations with fluctuating revenue and thin profitability margins**

The scale of operations of the company has remained small and fluctuating over the review period. The total operating income stood at Rs. 29.07 crore in FY17 and later declined in FY18 and stood at Rs.13.27 crore due to technical issues and in FY19 (prov.) it increased to Rs. 27.52 crore. The decline in revenues was majorly on account of regulatory issues and delay in disbursement of bank loan facilities. The Profitability margins of the company remained thin during the review period. The operating margins stood

at 3.20 per cent for FY2019 (prov.) as against 5.98 per cent in the previous year. Further, the profit after tax (PAT) margin stood at 0.75 per cent in FY19 (Prov.) from 0.57 per cent in FY18 due to increase in the interest expense on account of utilization of working capital limits.

- **Intense competition from domestic and international players and exposure to foreign currency risk**

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. Also, because 94 per cent of the company's revenues are generated through exports, the exposure to foreign currency risk is very high.

Rating Sensitivity factors:

- Substantial and sustained growth in revenues with sustaining profitability
- Higher than expected working capital requirements leading to deterioration in financial risk profile and liquidity

Material Covenants: None

Liquidity Position: Stretched

ASPL has stretched liquidity marked by high bank limit utilization at about 98 percent. The company generated cash accruals of Rs.0.30 crore in FY2019 (prov.) against repayment obligations of Rs.0.16 crore indicating limited cushion for liquidity. The cash accruals are estimated at Rs.0.40 to 0.45 crore during the medium term, while its maturing debt obligations will be in the range of Rs.0.07 crore over the same period. The company's current ratio stood at 1.21 times as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain stretched over the medium term on account of closely matching net cash accruals to debt repayments over the medium term.

Outlook: Stable

Acuite believes that the outlook on ASPL will remain 'Stable' over the medium term on the back of experience of management. The outlook maybe revised to 'Positive' in case of sustained increase in operating income and profitability while improving its capital structure. Conversely, the outlook maybe revised to 'Negative' in case of any further stretch in its working capital cycle leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	27.52	13.27	29.07
EBITDA	Rs. Cr.	0.88	0.79	1.05
PAT	Rs. Cr.	0.21	0.08	0.11
EBITDA Margin	(%)	3.20	5.98	3.62
PAT Margin	(%)	0.75	0.57	0.36
ROCE	(%)	10.21	6.18	15.42
Total Debt/Tangible Net Worth	Times	3.19	3.82	4.32
PBDIT/Interest	Times	1.67	1.52	1.64
Total Debt/PBDIT	Times	3.51	9.99	7.32
Gross Current Assets (Days)	Days	133	299	146

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

None

Any other information

None

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>

Note on complexity levels of the rated instrument

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

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Export Packing Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B+/Stable (Assigned)
Export Gold Card	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE B+/Stable (Assigned)
Foreign Bills Negotiation	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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