Press Release

Sabri Food Products Private Limited

April 20, 2021

Rating Assigned

Total Bank Facilities Rated*	Rs.30.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)

** Refer Annexure for details*

Rating Rationale

Acuité has assigned the long term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** on the Rs.30 Cr bank facilities of Sabri Food Products Private Limited (SFPPL). The outlook is **'Stable'**.

The rating on SFPPL factors in the long standing experience of the promoters in the seafood business, efficient working capital cycle and the company's proximity to their raw material. The rating also draws comfort from the above average financial risk profile of the company characterized by comfortable leverage and strong debt coverage indicators. These strengths are partially offset by exposure to risks inherent in the seafood industry and susceptibility to volatility in raw material prices and foreign exchange rates.

About the company

Incorporated in 2014, SFPPL is a Bhubaneswar based company engaged in processing, packaging and exporting of shrimps and other marine food. The company started its operations in 1999 as a sole proprietorship firm but the constitution was changed to a private limited company in 2014. The company is recognized as Star Export House under Ministry of Commerce and Industry, Govt. of India. The company has an installed processing capacity of 4500 MTPA and 800 MTPA of captive cold storage unit. Headed by Mr. P.G. Sasi and Mr. Visal Sasi, the company has an established name in the industry through its brands - Sabri, Mekongking, and Pegasus.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Long experience of the promoters and established relationship with customers**

Established as a proprietorship firm in 1999, the company has been operational for more than two decades. The key promoter, Mr. P.G. Sasi and his son Mr. Visal Sasi have been engaged in trading and exporting of seafood for a decade by virtue of their association with this company. This has helped the company to establish long standing relationship with its customers in several countries including Japan, Vietnam, China, UAE and others. Acuité believes that the promoters' extensive experience and expertise in marine food products will assist the company going forward.

- **Above average financial risk profile**

The company's above average financial risk profile is marked by moderate albeit improving networth, comfortable gearing and strong debt protection metrics. The tangible net worth of the company improved to Rs.15.55 Cr as on 31st March, 2020 from Rs.11.61 Cr as on 31st March, 2019. Gearing of the company stood below unity at 0.06 times as on 31st March, 2020 as compared to 0.89 times as on 31st March, 2019. The debt of Rs.0.89 Cr comprises of unsecured loans of Rs.0.52 Cr and current portion of long term debt repayment of Rs.0.37 Cr as on March 31, 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.75 times as on 31st March, 2020 as against 1.91 times as on 31st March, 2019. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 10.66 times and Debt Service coverage ratio at 4.05 times as on 31st March, 2020. The Net Cash Accruals/Total Debt (NCA/TD) stood at 6.04 times as on 31st March, 2020. Acuité believes that going forward the financial risk profile of the company will improve backed by steady accruals and no major debt funded capex plans.

- **Consistent revenue growth driven by steady demand**

The company has achieved revenues of Rs.161.39 Cr in FY2020 as compared to revenues of Rs.131.79 Cr in FY2019 and Rs.111.57 Cr in FY2018, thereby registering a y-o-y growth of 22.46 per cent in FY2020 and 18.12 per cent in the previous year and a 2 year CAGR of 20.43 per cent. The company has achieved revenue of around Rs.153.03 Cr till February 2021 (Provisional). The growth in revenue is primarily on account of improvement in orders for block frozen shrimps.

- **Efficient working capital management**

The efficient working capital management is marked by low Gross Current Assets (GCA) of 37 days in FY2020 as compared to 67 days in FY2019. The low GCA days are on account of efficient inventory management with holding period of 21 days as on March 31, 2020 as compared to 29 days as on 31st March 2019. The debtor period is comfortable at 6 days as on March 31, 2020 as compared to 25 days as on March 31, 2019. This reduction in debtors is because there was no shipping in March 2020 owing to the nationwide lockdown. Most of the goods sold to its customers are against LC at sight or against advance payment. Going forward, Acuité believes that the working capital management of the company will remain at similar levels as evident from efficient collection mechanism and comfortable inventory levels over the medium term.

Weakness

- **Reduction in profit margins**

The operating margin of the company decreased to 4.58 per cent in FY2020 as compared to 5.95 per cent in the previous year. The PAT margins stood at 2.45 per cent in FY2020 as against 2.95 per cent as on FY2019. The reduction in margin is due to increase in the price of raw materials. The price of shrimp depends on its availability; therefore, profitability of players is vulnerable to volatility in the price of shrimp. The RoCE levels stood at a comfortable level of about 31.17 per cent in FY2020 as against 31.64 per cent in FY2019. Even with decrease in margins, the average realization has improved over the years due to better prices received from customers and continuous demand, maintaining the profitability margins at a steady level. Acuité believes that the profitability margins of the company will remain rangebound due to the disintegrated nature of the industry.

- **Margins susceptible to change in incentives, price risk and fragmented nature of industry**

Export incentives account for a significant portion of the company's total profit. Any change in export incentives offered by the Government can adversely impact the profit margins. In addition, the receivables are also exposed to foreign exchange fluctuation risk.
Indian sea-food industry is characterized by the presence of a large number of organized and unorganized players with low entry barriers, lack of product differentiation and low value additive nature of the industry which results in intense competition among mid-size industry players like SFPPL.

Rating Sensitivity

- Stable profit margins
- Deterioration in capital structure
- Change in export incentives offered by the Government

Material Covenant

None

Liquidity Profile: Adequate

The company's liquidity is adequate marked by net cash accruals of Rs.5.36 Cr in FY2020 as against a long term debt repayment of Rs.0.80 Cr over the same period. The fund based limit remained utilized at 44 percent over the six months ended February, 2021. The current ratio stood comfortable at 1.46 times as on 31st March, 2020 as compared to 1.20 times as on 31st March, 2019. The cash and bank balances of the company stood at Rs.0.88 Cr in FY2020 as compared to Rs.0.08 in FY2019. The company did not avail any Covid loan or loan moratorium. The company has efficient working capital management as reflected by low Gross Current Assets (GCA) of 37 days in FY2020 as compared to 67 days in FY2019. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes that the outlook on SFPPL will remain 'Stable' over the medium term on account of the experience of the promoters, long track record of operations and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company witnesses a material improvement in its bottom line and cash accruals, hence expanding its networth base. Conversely, the outlook may be revised to 'Negative' in case of any significant elongation in its working capital management leading to deterioration of its gearing and liquidity position.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	161.39	131.79
PAT	Rs. Cr.	3.95	3.89
PAT Margin	(%)	2.45	2.95
Total Debt/Tangible Net Worth	Times	0.06	0.89
PBDIT/Interest	Times	10.66	9.34

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-59.htm
- Trading Entities - https://www.acuite.in/view-rating-criteria-61.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/view-rating-criteria-55.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
Packing Credit / PCFC	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB-/Stable (Assigned)
Bill Discounting / FBD	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB-/Stable (Assigned)

Contacts

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About Acuité Ratings & Research:

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