

Press Release
NAQ FOODS INDIA PRIVATE LIMITED
December 06, 2024
Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	17.00	ACUITE C Downgraded	-
Total Outstanding Quantum (Rs. Cr)	17.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE C**' (read as **ACUITE C**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on Rs.17.00 Cr. bank facilities of NAQ Foods India Private Limited (NAQFPL).

Rationale for Downgrade

The rating downgrade is based on delays reported in servicing of debt obligation in the credit bureau information report of group company i.e. NAQ Foods India Private Limited (NAQFPL).

About the Company

Established in 2018 and based in Eluru, (Andhra Pradesh), NAQ Foods India Private Limited (NAQFPL) is promoted by Ms. Nukala Ammaji and other family members. The company is primarily engaged in the business of freezing and exporting shrimps as merchant exporter.

About the Group

Established in 1999 and based in Vishakhapatnam, (Andhra Pradesh), Nukala Ramakrishna (NRK) is the proprietor of the proprietorship firm 'Naga Hanuman Fish Packers'. The firm initially ventured into the business of cultivation and trading of fish. Later, the firm diversified into processing and export of shrimps. The fish cultivation division of the firm was transferred to another group entity. As of November 2022, the firm remains primarily engaged in processing and export of shrimps with processing capacity of 16,500 Metric Ton (MT) (increased from 12,000 MT).

Established in 2004 and based in Vishakhapatnam, (Andhra Pradesh), Naga Hanuman Solvent Oils Private Limited (NHSOPL) is promoted by Mr. Nukala Ramakrishna and other family members. The company is primarily engaged in the business of extracting, processing and refining oils and other extracts (edible and non-edible). The company has installed capacity for solvent extraction of 1,20,000 MT, refinery of 18,250 MT and cotton seed of 1,09,500 MT.

Established in 2008 and based in Denduluru, (Andhra Pradesh), Naga Hanuman Agro Oils Private Limited (NHAOPL) is promoted by Mr. Nukala Ramakrishna and other family members. The company is primarily engaged in diverse agro activities like refining of rice bran oil, rice milling, and other agriculture and horticulture related activities. The company has installed capacity for refining of rice bran oil of 54,750 MT, Polymers manufacturing of 3,650 MT, Rice mill of 52,560 MT and solvent extraction of 54,750 MT.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

•Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

For arriving at this rating, Acuite has consolidated the business and financial risk profiles of Nukala Ramakrishna (NRK), Naga Hanuman Agro Oils Private Limited (NHAOPL), Naga Hanuman Solvent Oils Private Limited (NHSOPL) and NAQ Foods India Private Limited (NAQFPL) together referred to as the 'Naga Hanuman Group'.

(NHN Group)'. The consolidation is in the view of common management, similar line of business in food processing industry, operational and financial linkages between the entities.

Key Rating Drivers

Strengths

Promoters' extensive experience in food processing industry; Established regional player in Andhra Pradesh

NHN Group is promoted by Mr. Nukala Ramakrishna who has been associated with the group since its inception; this has helped the group to establish strong market presence. Mr. N Ramakrishna looks after the day-to-day operations of the group and is assisted by his son Mr. N Lakshmana Rao and Mr. N. Balaji along with a team of experienced professionals down the line. The group caters to the international customers by exporting the products into various countries namely USA, China, UAE and South Korea amongst others. In the domestic market, the group supplies its products in the state of Gujrat, Madhya Pradesh, Tamil Nadu, Maharashtra, Punjab, Andhra Pradesh and Telangana amongst others. Over the years, Naga Hanuman group has developed a positive brand value in mindset of the stakeholders such as farmers, customers and creditors and is among the top renowned brand in the southern region of India. Acuité believes that the group will continue to derive benefits from its promoter's experience, its established presence and diversified geographical coverage providing stable revenue visibility in medium term.

Weaknesses

Susceptible to volatility in raw material prices and regulatory risks

The shrimp processing and export business is highly fragmented with 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. The Indian edible oil industry is highly fragmented, with the presence of a large number of participants in the organized and unorganized sectors. This is due to low entry barriers such as low capital, low technical requirements of the business and liberal policy regime. This has resulted in severe competition and inherently thin profitability margins. Furthermore, as a portion of revenue is generated from exports, credit risk profile remains susceptible to volatility in forex rates. Besides, the company is also exposed to risk arising from regulatory changes and demand pattern in client countries and changes such as levy of anti-dumping duties by importing countries.

Rating Sensitivities

- Regular servicing of debt obligations

Liquidity Position

Stretched

The liquidity position of the group is marked stretched due to instance of delay in servicing loan obligation in August 2024 by group company i.e. NAQ Foods India Private Limited (NAQFPL).

Outlook:

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1154.24	1150.40
PAT	Rs. Cr.	12.11	15.20
PAT Margin	(%)	1.05	1.32
Total Debt/Tangible Net Worth	Times	2.38	1.92
PBDIT/Interest	Times	2.49	3.63

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

Not Applicable

Any Other Information

None

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Apr 2024	Cash Credit	Long Term	2.00	ACUITE BBB- Stable (Reaffirmed (Negative to Stable))
	PC/PCFC	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed (Negative to Stable))
16 Jan 2023	Cash Credit	Long Term	2.00	ACUITE BBB- Negative (Reaffirmed)
	PC/PCFC	Long Term	15.00	ACUITE BBB- Negative (Reaffirmed)
18 Oct 2021	PC/PCFC	Long Term	15.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	2.00	Simple	ACUITE C Downgraded (from ACUITE BBB-)
Yes Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	15.00	Simple	ACUITE C Downgraded (from ACUITE BBB-)

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

Sr. No	Company name
1	Nukala Ramakrishna(Naga Hanuman Fish Packers)
2	Naga Hanuman Agro Oils Private Limited
3	Naga Hanuman Solvent Oils Private Limited
4	NAQ Foods India Private Limited

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About Acuité Ratings & Research

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