

Press Release

Capithan Exporting Company

February 15, 2023



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	35.00	-	ACUITE A4 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating to '**ACUITE BB-**' (read as **ACUITE double B minus**) and the short term rating to '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.50.00 crore bank facilities of Capithan Exporting Company (CEC). The outlook is '**Stable**'.

Rating Rationale

The rating reaffirmation takes into account the stable operating and financial performance of CEC, marked by improved operating income and range bound operating margins. The operating income of the Company improved to Rs.90.97 Cr in FY2022 as against Rs.62.93 Cr in FY2021. In 7M FY23 the company generated revenues of Rs.75.74 Cr and is expected to close the year in the range of Rs. 110-115 Cr. The operating margins ranged between 4-5.30 percent for the last three years ended FY2022. The rating remains constrained by the below average financial risk profile and working capital intensive nature of operations.

About the Company

CEC established in the year 1974 as a partnership firm by Mr Alphonse Joseph along with his father George Joseph is engaged in the business of exporting seafood products across European Countries, Far East & Middle East Countries. The firm has established a seafood processing plant in Sakthikulangara, Kollam district in Kerala and deals in various types of seafood products such as Fish, Octopus, Crabs, Squid, Cuttlefish, Shrimps etc.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of CEC for arriving at the rating.

Key Rating Drivers

Strengths

- **Extensive experience of promoters in the industry and established track record of operations**

CEC established in the year 1974 is engaged in processing and exports of different types

of seafood products and it has an established track record of operations for more than five decades. The key promoters Mrs. Jenefer Alphone and Ms. Amitha Alphonse have extensive experience in the business. The extensive industry experience of the promoters has enabled the firm to establish a healthy relationship with its suppliers and customers. The operating income of the Company improved to Rs.90.97 Cr in FY2022 as against Rs.62.93 Cr in FY2021. In 7M FY23 the company generated revenues of Rs.75.74 Cr and is expected to close the year in the range of Rs. 110-115 Cr. The operating margins ranged between 4-5.30 percent for the last three years ended FY2022. Acuité believes that CEC will continue to benefit from extensive experience of its management and established track record of operations.

Weaknesses

- **Below average financial risk profile**

The financial risk profile of the firm is below average marked by moderate gearing and modest debt protection metrics. The net worth of the company stood at Rs.23.18 Cr and Rs.21.43 Cr as on March 31, 2022 and 2021 respectively. The gearing of the firm stood at 1.85 times as on March 31, 2022 against 2.00 times as on March 31, 2021. Debt protection metrics – Interest coverage ratio and debt service coverage ratio stood at 1.34 times and 1.27 times as on March 31, 2022 respectively as against 1.29 times and 1.26 times as on March 31, 2021 respectively. The debt to EBITDA of the company stood at 9.74 times as on March 31, 2022 as against 12.58 times as on March 31, 2021. TOL/TNW stood at 2.00 times in FY2022 as against 2.11 times in FY2021.

- **working capital operations**

CEC's working capital cycle is intensive as reflected by its high GCA days at 258 days as on March 31, 2022 as against 354 days as on March 31, 2021. The improvement in GCA days is on account of improvement in inventory and debtor days. Inventory days stood at 200 days as on March 31, 2022 as against 301 days as on March 31, 2021. Subsequently, the payable period stood at 14 days as on March 31, 2022 as against 15 days as on March 31, 2021 respectively. The debtor day stood at 59 days as on March 31, 2022 as against 63 days as on March 31, 2021. Further, the average bank limit utilization in the last twelve months ended January, 23 remained at ~88 percent for fund based.

Rating Sensitivities

- Further deterioration in the working capital cycle

Material covenants

None

Liquidity Position: Stretched

The liquidity profile of the company is stretched marked by modest net cash accruals against repayment obligations. The company generated net cash accruals (NCA) of Rs 0.89 Cr ending FY2022 against its maturing debt obligations of Rs. 0.18 Cr. The company is expected to generate net cash accruals in the range of Rs.1.74 to 2.76 Cr against no repayment obligations over the medium term. The working capital cycle of CEC stood intensive on account of high GCA (Gross Current Asset) days of 258 in FY2022. Unencumbered cash and bank balances stood at 0.57 Cr as on March 31, 2022. The current ratio of the company stood at 1.39 times as on March 31, 2022. Acuité believes that the liquidity of the company is likely to improve over near to medium term owing to increase in scale of operations and margins.

Outlook: Stable

Acuité believes that CEC will maintain a 'Stable' outlook over the medium term owing to its promoters' extensive experience and established track record of operations. The outlook

may be revised to 'Positive' if the Company registers higher than expected revenue growth while maintaining its profitability and capital structure.. Conversely, the outlook may be revised to 'Negative' incase of further elongation of working capital cycle leading to deterioration of liquidity position of the Company.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	90.97	62.93
PAT	Rs. Cr.	0.36	0.11
PAT Margin	(%)	0.40	0.17
Total Debt/Tangible Net Worth	Times	1.85	2.00
PBDIT/Interest	Times	1.34	1.29

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

Crisil vide its press release dated 31.12.21 had reaffirmed the company to CRISIL B+/A4;INC

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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
24 Dec 2021	Packing Credit	Short Term	40.00	ACUITE A4 (Assigned)
	Proposed Bank Facility	Short Term	2.00	ACUITE A4 (Assigned)
	Bills Discounting	Long Term	8.00	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Federal Bank	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE BB- Stable Reaffirmed
Federal Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A4 Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Moparthy Anuradha Devi Analyst-Rating Operations Tel: 022-49294065 moparthy.anuradha@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.