



Press Release

Amulya Sea Foods

October 05, 2020

Rating

Sl. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned	Rating Action
1.	Long Term Facility – Working Capital Term Loan*	1.32	IVR BB+/ Stable outlook (IVR Double B Plus with stable outlook)	Assigned
2.	Short Term Fund Based Facility – PC/PCFC	40.00	IVR A4+ (IVR Single A Four Plus)	Assigned
3.	Short Term Fund Based Facility – FBN/ FBP/ FBD/ AACB/ PSFC	38.00	IVR A4+ (IVR Single A Four Plus)	Assigned
	Total	79.32		

*Outstanding as on 31st August, 2020.

Details of Facilities are in Annexure I

Detailed Rationale

The rating derives strength from Significant Experience and Understanding of the Partners and their Team along with strong regulatory and technical knowledge in the sea food business, Strong and Effective Risk Mitigating Techniques and Moderate profitability and debt protection metrics. However, the strengths are, partially offset by High Geographical and customer concentration in revenue, Moderate scale of operations and Low entry barriers and profitability susceptible to volatile prices.

Key Rating Sensitivities

- **Upward Factor:**

- Substantial improvement in scale of operations, backed by significant improvement in profitability margins while maintaining the debt protection measures on a sustained basis.
- Improvement in business risk profile with reduced customer concentration and geographic concentration



Press Release

- **Downward factor:**

- Any deterioration in the revenue and/or profitability and/or credit metrics.
- Any increase in working capital intensity.

Key Rating Drivers with detailed description

Key Rating Strengths

Significant Experience and Understanding of the Partners and their Team along with strong regulatory and technical knowledge in the sea food business

The Group (Nila Group of Companies) was established in 1992 by the late Mr. D. Chandran and at present it is run under the leadership of his family members; i.e. Mrs. Nilavathi C, Mr. Selwin Prabhu and Mr. Aminath Prabu. The promoter family has more than three decades of experience in the sea-food business, which has aided in understanding the changing dynamics of the industry & establishing a strong relationship with customers and buyers which helps the Firm get repetitive orders. The firm has set up a full-fledged procurement team headed by the partners themselves and supported by a team with more than 25 years of experience in this industry.

Further, the firm is fully aware of the regulations of all the countries to which their products are exported and has meticulously complied with all the regulations and there has not been a single rejection from customers on account of quality issues.

Strong and Effective Risk Mitigating Techniques

The firm is engaged into processing and export of marine frozen products including Cuttlefish, squid, crabs and octopus. The processing units are certified by Hazard Analysis Critical Control Points (HACCP), and approved by USFDA and European Union.

The firm also hedges approximately 75%-80% of its exports by way of forward contracts thus reducing for any volatility in the foreign currency (USD).



Press Release

Moderate profitability and debt protection metrics

Amulya Sea Foods' operating margins remained stable, with an average of 2.76% for the last three years (i.e. FY2018-FY2020). The debt protection matrices are moderate with overall gearing ratio at 2.77x and Total outside liabilities to TNW at 3.58x respectively in FY2020. The interest coverage ratio stood at 3.37x in FY2020.

Key Rating Weaknesses

High Geographical and customer concentration in revenue

Amulya Sea Foods customers is concentrated majorly in Spain and Italy with top 5 customers accounting for ~56% of total revenues in FY2020. Any adverse changes in the regulatory requirements from the countries can impact the revenue generation potential.

Moderate scale of operations

The firm's total operating income has been in the range of Rs. 110 crores to Rs. 130 crores and is projected to be in the similar range going forward. The current capacities at its cold storage facility in SIPCOT, Tuticorn cannot handle capacities beyond the current operational levels. Moreover, the company does not have any near to medium term plans to expand its processing and cold storage capacities and thus limiting any significant scale in the operations.

Low entry barriers and profitability susceptible to volatile prices

The firm faces stiff competition from other organised and unorganised domestic and international players, given low entry barriers in the business, which can limit its pricing and bargaining power with the customer. The prices of marine products are susceptible to volatile prices, demand-supply scenarios and forex rates.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies



Press Release

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity – Adequate

The liquidity remains adequate marked by moderate gross net cash accruals as against the long term debt repayment obligation. The Company maintains unencumbered cash balances of INR 5.99 Crore as on March 31st, 2020. Its average working capital utilization was moderate at almost 88.52% of the drawing power for the last 12 months ended August 2020.

About the Company

Nila Group of Companies, established in 1992 by the late Mr. D. Chandran, constitutes Nila Sea Foods Exports, Amulya Sea Foods and Nila Sea Foods Private Limited. Amulya Sea Foods is engaged in processing and export of a wide variety of frozen marine products such as Cuttlefish, Squid, Shrimps, Octopus, Sand Lobster, Crab and all types of fishes. After the demise of late Mr. D. Chandran, the business is being run by his family members, Mrs. C Nilavathi (Wife of Mr. D. Chandran), Mr. C Selwin Prabhu (Elder Son of Mr. D. Chandran) and Mr. C Aminath Prabhu (Younger Son of Mr. D. Chandran).

Financials (Standalone):

(INR Crore)

For the year ended* / As on	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	150.29	117.35
EBITDA	4.15	3.17
PAT	1.59	1.45
Total Debt	28.17	26.39
Tangible Net worth	10.83	9.52
EBITDA Margin (%)	2.76	2.70
PAT Margin (%)	1.05	1.22
Overall Gearing Ratio (x)	2.60	2.77

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: N.A.



Press Release

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Facility – Working Capital Term Loan*	Long Term	1.32	IVR BB+/ Stable outlook (IVR Double B Plus with stable outlook)	--	--	--
2.	Short Term Fund Based Facility – PC/PCFC	Short Term	40.00	IVR A4+ (IVR Single A Four Plus)	--	--	--
3.	Short Term Fund Based Facility – FBN/ FBP/ FBD/ AACB/ PSFC	Short Term	38.00	IVR A4+ (IVR Single A Four Plus)	--	--	--

* Outstanding as on 31st August, 2020.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Team:

Name: Mr. Miraj Bhagat	Name: Mr. Prakash Kabra
Tel: (022) 62396023	Tel: (022) 62396023
Email: mbhagat@infomerics.com	Email: prakash.kabra@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management



Press Release

and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure I: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Facility – Working Capital Term Loan*	31 st March, 2020	9.75% [MCLR (March'20 – 9.10) + CRP (0.65) + BSS (Nil)]	31 st March, 2023	1.32	IVR BB+/ Stable outlook (IVR Double B Plus with stable outlook)
Short Term Fund Based Facility – PC/PCFC	--	9.50% [MCLR (August'19 – 9.20) + CRP (0.30) + BSS (Nil)]	On Demand	40.00	IVR A4+ (IVR Single A Four Plus)
Short Term Fund Based Facility – FBN/ FBP/ FBD/ AACB/ PSFC	--	--	On Demand	38.00	IVR A4+ (IVR Single A Four Plus)

* Outstanding as on 31st August, 2020.