



Press Release

Premier Marine Foods

January 20, 2021

Ratings

Sl. No.	Facilities	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities- Fund Based	3.60	IVR BB+/Stable Outlook (Pronounced as IVR Double B Plus with Stable Outlook)	Assigned
2.	Short Term Bank Facility-Fund Based	50.00	IVR A4+ (Pronounced as IVR Single A Four Plus)	Assigned
	Total	53.60		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Premier Marine Foods (PMF) drives comfort from the significant experience of over five decades of the partners in the line of business, reputed and diversified client base, and locational advantage. However, the ratings are constrained by average business risk and financial risk profile, intense competition and regulatory risks, and vulnerability of profitability to volatility in raw material prices.

Key Rating Sensitivities:

Upward Factor:

- Sustained and significant improvement in scale of operations, profitability and cash accruals
- Improvement in the capital structure with overall gearing improved to below 1.5x
- Improvement in the liquidity.

Downward factor:

- Moderation in the scale of operations and/or deterioration in profit margin impacting the liquidity and debt coverage indicators.
- Deterioration in overall gearing to over 2.00 times.



Press Release

- Elongation in operating cycle impacting the liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Significant partners' experience in the seafood business**

PMF reaps the benefit from the extensive experience of its partners, Mr. A Musthafa, the managing partner of the firm has over five decades of experience in the seafood industry which has enabled the firm to establish the relationship with its customers.

- **Reputed and diversified client base**

The firm is a 100% export oriented unit and exports its products to multiple countries such as USA, China, Vietnam, other South East Asian countries, and European countries and is therefore geographically well diversified. The firm has strong relationships with these customers.

- **Locational advantages**

The processing unit and freezing unit is located in Alleppy District, Kerala which provides location specific advantages in terms of easy accessibility to aquaculture farms located in the coastal belt of Kerala. Raw materials are procured from selected farms and processed as per specifications given by each buyer in the importing countries. Close proximity to these farms helps the company reduce cost of transportation and logistics and improves the shelf life of its products.

Key Rating Weaknesses

- **Average business risk and financial risk profile**

The total operating revenue of the firm dipped to Rs. 130.18 crore in FY 2019 from Rs. 198.30 crore in FY 2018 on account of floods in Kerala in the year 2018. However, the firm has moderate scalability; it has achieved the revenue of Rs. 143.44 crore in FY 2020 (provisional). The profitability margins marked by EBITDA margin and PAT margin were on a lower side at 2.71% and 0.67% respectively in FY 2020 (provisional) as compared with 3.16% and 0.46% respectively in FY 2019. Furthermore, the gearing levels of the firm were



Press Release

on a higher side marked by overall gearing ratio and TOL/TNW of 2.93x and 3.61x respectively in FY 2020 (provisional) and the debt protection metrics were also below average marked by DSCR and ISCR of 1.58x and 0.94x respectively in FY 2020 (provisional) as compared with 1.53x and 1.17x respectively in FY 2019.

- **Intense competition and regulatory risks**

The industry is characterized by low entry barriers and intense competition from unorganized players. In addition to the intense domestic competition, Indian exporters face competition from countries like Ecuador, Indonesia, Thailand and Vietnam, which are major producers of Vannamei shrimp. Food product imports, especially in countries like US and European countries, are subject to high quality standards including anti-dumping duty, food safety regulations, and quality requirements. Any change in quality standards set by importing countries or customers could affect the business risk profile.

- **Vulnerability of profitability to volatility in raw material prices**

The seafood industry's profitability margins are highly dependent on the raw material prices which may be affected by perishability, need for high adherence to quality, exchange rates, availability of demand etc. Further, the seafood industry is affected by demand-supply imbalance as seafood is a depleting commodity; tightened regulations on fishing have made supply conditions more irregular.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Stretched

The firm has stretched liquidity profile marked by average utilization up to 92% of the fund-based working capital limit during the last twelve months which indicates tight liquidity position. Moreover, the current ratio and the quick ratio were also inadequate at 1.06x and 0.73x respectively in FY 2020 (provisional).



Press Release

About the Entity

Constituted in January, 2006 as a partnership firm, Premier Marine Foods is a Chandiroor, Kerala-based seafood exporter. The firm exports seafood like cuttlefish, shrimp, squid, octopus, and fish whole etc. The firm has two freezing plants located in Chandiroor with installed capacity of 80 tonnes per day (TPD) and 20 tonnes per day (TPD) respectively. The firm is coming up with a third freezing plant in the same location with an installed capacity of 45 tonnes per day (TPD). Both the freezing plants are running on 100% capacity. The firm comprise of eight partners viz, Mr. A Musthafa, Mr. M Nihas, Mr. Shahjahan S, Mr. M Shanimol, Mr. M Nishad, Mr. M Thajunnisa, Mr. M Ansilamol, and Ms. Muneera Musthafa of which Mr. A Musthafa is the managing partner who has over five decades of rich experience and he is supported by his son, Mr. Nizam Musthafa.

Financials (Standalone):

For the year ended*/As on	31-03-2020	31-03-2019
	Provisional	Audited
Total Operating Income	143.44	130.18
EBITDA	3.89	4.11
PAT	0.98	0.61
Total Debt	39.65	30.94
Tangible Net worth	13.52	11.58
EBITDA Margin (%)	2.71	3.61
PAT Margin (%)	0.67	0.46
Overall Gearing Ratio (x)	2.93	2.67

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Issuer not cooperating by CRISIL vide press release dated May 15, 2020 due to non-availability of information.

Any other information: Nil



Press Release

Rating History for last three years:

Sr. No.	Name of Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan (O/s)	Long Term Fund Based	3.60	IVR BB+/Stable	-	-	-
2.	PCFC	Short Term-Fund Based	14.00	IVR A4+	-	-	-
3.	FBP		19.00		-	-	-
4.	FBD		17.00		-	-	-

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.

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



Press Release

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility – Term Loan (O/s)	-	-	-	3.60	IVR BB+/Stable
Short Term Bank Facility- PCFC	-	-	-	14.00	IVR A4+
Short Term Bank Facility- FBP/FBD	-	-	-	36.00	