



Press Release

Kings Infra Ventures Ltd

January 18, 2021

Ratings

Instrument / Facility	Amount (Rs. Crore)	Rating	Rating Action
Long Term Bank Facilities/ Instruments	13.58	IVR BB- / Stable (Double B Minus; Outlook: Stable)	Assigned
Non-Convertible Debenture	25.00	IVR BB- / Stable (Double B Minus; Outlook: Stable)	Assigned
Short Term Bank Facilities	4.42	IVR A4 (Single A Four)	Assigned
Total	43.00 (Forty Three crore only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid ratings assigned to the bank facilities/long term debt instruments of Kings Infra Ventures Ltd (KIVL) derives comfort from its favourable location for breeding and processing of sea food, consistent demand for seafood products in international market and moderate capital structure with adequate debt protection metrics. These rating strengths, however, remain constrained by its small scale of operations, experienced promoters but new entrants in aquaculture business, presence in a highly fragmented industry marked by intense competition and working capital intensive nature of its business.

Rating Sensitivities

Upward factors

- Sustained growth in sale of operation with improvement in cash accruals and/or improvement in profitability metrics with EBITDA margin above 13%
- Effective working capital management with improvement in operating cycle and improvement in liquidity.

Downward Factors

- Decline in operating income and/ or EBITDA below 6%.
- Deterioration in the capital structure and/or deterioration in debt protection metrics.



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Detailed Description of Key Rating Drivers

Key Rating Strengths

Favourable location for breeding and processing of sea food

Tamil Nadu has the second longest coastline in the country with rich natural resources in coastal areas for coastal aqua farming and the company's processing facility is located near the aqua farms. The total estimated brackish water area of Tamil Nadu is about 56,000 ha is under capture fisheries and an area of 6115.68 ha is under coastal aquaculture production, mainly shrimp aquaculture.

Consistent demand for seafood products in international market

The main product of the Company is Vannamei shrimps which has a huge demand in Domestic as well as in global market like United States of America, Japan, European Union and Asia/ Asia Pacific and other markets and India is one the top exporter in aquaculture sector. The main Products of the company are Vannamei shrimps packed as head on and headless in frozen blocks or shatter packs in retail as well as institutional packs, Cuttlefish, Squids, Octopus and other fish varieties. And the company has diversified Client base with in Global Market as well as in the domestic market.

Moderate capital structure and debt protection metrics

The overall gearing ratio was at 0.60x as on March 31, 2020. Further the debt protection metrics of the company deteriorated as indicated by interest coverage ratio at 1.85x as on March 31, 2020 (3.71x as on March 31, 2019). Further, driven by moderation in profitability and consequent deterioration in gross cash accrual debt protection metrics of the company witnessed deterioration in FY20.

Key Rating Weaknesses

Small scale of operations

The total operating income of the company stood constant at Rs.33.60 crore in FY20 vis-à-vis Rs.33.57 crore in FY19. However, EBITDA of the company declined from Rs.2.61 crore in FY19 to Rs.2.09 crore due to increase in the manufacturing cost. PAT of the company declined from Rs.1.18 crore in FY19 to Rs.0.39 crore in FY20 due to interest cost on income tax for earlier years, lower EBITDA and high interest cost.



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Experienced promoters but new entrants in aquaculture business

KIVL's operations are managed by the promoters Mr. Shaji Baby John and Mr. Baby John Shaji were engaged in real estate business for a long time. However, having had the background and knowledge of the aquaculture business, they re-entered the sea food processing and export business in 2017.

Highly fragmented industry marked by intense competition

The Aquaculture industry is highly fragmented and competitive with the presence of large number of organised and unorganised players. The presence of large number of unorganised players constraining the purchasing power of organised sector players. Apart from the unorganised sector, KIVL also face competition from the organized sector players. There's a high risk of losing export orders if the quality of the processed food is not in line with the international food requirements.

Working capital intensive nature of business

The operating cycle of the company stood at 173 days in FY19 and FY20 due to high inventory cycle and is expected to remain high in the near future since aqua farming is a time consuming process. KIVL may take close to a year or year and a half to optimize its resources and working capital cycle

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Stretched

The liquidity position of the company appears to be stretched due to its low cash accruals, elongated operating cycle and highly utilized bank limits indicating a limited cushion.

About the Company

Tamil Nadu-based, Kings Infra Ventures Limited (formerly Victory Aquafarm Ltd) was incorporated in 1987. The company is promoted by Mr. Shaji Baby John and Mr. Baby John Shaji (Son of the former) and have been associated with the Aquaculture industry for a reasonable period. The



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company started off with the aquaculture business but had undergone challenges due to government policies in the early years and transitioned into the real estate business later-on. KIVL has now re-engaged in aquaculture, Sea Food Processing and exports business since 2017. The cultivation and processing facility is located at Tuticorin, (Tamil Nadu) and owns 126 acres and 28 cents of land. The company adequately sources stock from the farmers, gets the end product processed and exports the same.

Financials (Standalone):

For the year ended*/ As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	33.57	33.60
EBIDTA	2.61	2.09
PAT	1.18	0.39
Total Debt	15.21	15.50
Adjusted Net worth	25.38	25.76
EBIDTA Margin (%)	7.78	6.22
PAT Margin (%)	3.52	1.15
Overall Gearing Ratio (x)	0.60	0.60

*as per Infomerics standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ 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.	Non-Convertible Debenture	LT	25.00	IVR BB- / Stable (Double B Minus; Outlook: Stable)	-	-	-
2.	Term Loan	LT	5.58	IVR BB- / Stable (Double B Minus; Outlook: Stable)	-	-	-
3.	Cash Credit	LT	8.00	IVR BB- / Stable (Double B Minus; Outlook: Stable)	-	-	-
4.	Term Loan	ST	0.57	IVR A4 (Single A Four)	-	-	-
5.	Letter of Credit/ Bank Guarantee	ST	3.00	IVR A4 (Single A Four)	-	-	-
6.	Proposed	ST	0.85	IVR A4 (Single A Four)	-	-	-



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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:

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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 – Non Convertible Debentures	June 2020	12.5% – 14.87%	March 2027	25.00	IVR BB- / Stable (Double B Minus; Outlook: Stable)
Long Term Fund Based Limits – Term Loan	-	-	April 2028	5.58	IVR BB- / Stable (Double B Minus; Outlook: Stable)



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Cash Credit	-	-	-	8.00	IVR BB- / Stable (Double B Minus; Outlook: Stable)
Short Term Fund Based Limits – Term Loan	-	-	March 2021	0.57	IVR A4 (Single A Four)
Short Term Non-Fund Based Limits – LC/BG				3.00	IVR A4 (Single A Four)
Short Term Limits - Proposed				0.85	IVR A4 (Single A Four)