Apex Frozen Foods Private Limited

Instrument	Amount In Rs. Crore	Rating Action
Cash Credit Limits	45.00	[ICRA]BBB-(Stable)/ Reaffirmed
Term Loan Limits	5.59	[ICRA]BBB-(Stable)/ Reaffirmed
Foreign Bill Purchase	45.00	[ICRA]A3/ Reaffirmed
Letter of Credit limits	8.00	[ICRA]A3/ Reaffirmed
Unallocated Limits	3.37	[ICRA]BBB-(Stable)/ [ICRA]A3/ Reaffirmed
Total	**106.96**	

ICRA has reaffirmed the long-term rating of **[ICRA]BBB-** (pronounced ICRA triple B minus)[1] assigned to the Rs. 50.59 crore[2] fund based limits and short-term rating of **[ICRA]A3** (pronounced ICRA A three) assigned to the Rs. 53.00 crore fund-based and non-fund based limits of Apex Frozen Foods Private Limited (AFFPL/ the company). ICRA has also reaffirmed the long-term/short-term ratings of **[ICRA]BBB-/[ICRA]A3** assigned to the Rs. 3.37 crore unallocated limits of AFFPL. The outlook on the long term rating is stable.

The reaffirmation of ratings positively factors in the long experience of the promoters in the shrimp exports business and AFFPL's established relationship with shrimp farmers and customers, resulting in repeat orders along with benefits arising from the favorable location of the processing facilities in proximity to the major aqua-culture belt of Andhra Pradesh, Orissa and West Bengal which ensures easy raw material availability. The ratings also consider the improvement in operating margins to 6.72% during FY2016 from 5.93% in FY2015 on the back of savings in raw material costs and favorable capital structure with gearing at 1.08 times as at March 31, 2016, interest coverage ratio of 3.90 times, NCA/Debt at 31% and Total Debt/OPBDIT at 1.95 times for FY2016. Further, partially integrated nature of operations with company cultivating shrimps in owned and leased lands is likely to ensure shrimp availability with better yield on the back of good quality farm management practices and thereby resulting in improved margins as witnessed in FY2016.

The ratings, however, are constrained by the downward pressure in global shrimp prices due to significant competitive pressures from other shrimp exporting countries and improved global supply of shrimps; and limited pricing flexibility arising from intense competition in the highly fragmented seafood industry with minimal product differentiation and low entry barriers. The company also faces high geographic concentration risk with the US market accounting for about 86% of total sales of FY2016. The ratings are further constrained by vulnerability of demand, revenues and margins to factors such as regulations proposed by importing nations, export benefits provided by the Indian government, exchange rate volatility, diseases and agro-climatic conditions that can affect off-take and pricing of raw materials.

Going forward, the ability of the company to sustain revenue growth, maintain healthy profitability levels and effectively manage its working capital requirements remains the key rating sensitivities from credit perspective.

Company Profile

Apex Frozen Foods Private Limited (AFFPL) is promoted by Mr. K.S. Choudhary and Mr. K. Satyanarayana Murthy and is into processing and exporting seafood from 1997. It was founded as a partnership firm under the name of Apex Exports in 1997, which was later converted into a private limited company in March 2012. The promoters have more than 18 years experience in processing and exporting of shrimps. AFFPL has a processing plant at Panasapadu, Kakinada, Andhra Pradesh, with an installed raw material processing facility of 45 tons per day (TPD). The company also operates through leased facility of 15 TPD.

September 2016

[1] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.
[2] 100 lakh = 1 crore = 10 million

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