

Soneri Marine Foods

Instrument	Amount	Rating Action
Fund Based- Term Loan	Rs. 0.32 crore (reduced from Rs. 0.50 crore)	[ICRA]B+ reaffirmed
Fund Based- EPC/FBD/FBP/PCFC/EBR**	Rs. 6.00 crore	[ICRA]A4 reaffirmed
Non Fund Based- CEL*	Rs. 0.40 crore	[ICRA]A4 reaffirmed

*EPC- Export Packing Credit, FBD- Foreign Bill Discounting, FBP- Foreign Bill Purchasing, PCFC- Packing Credit in Foreign Currency, EBR- Export Bill Rediscounting, CEL- Credit Exposure Limit
 **Overall FBWC limit fully interchangeable within limit of Rs. 6.00 crore

ICRA has reaffirmed the [ICRA]B+ (pronounced ICRA B plus) rating to the Rs. 0.32 crore¹ (reduced from Rs. 0.50 crore) term loan facility of Soneri Marine Foods (SMF)². ICRA has also reaffirmed the short term rating of [ICRA]A4 (pronounced ICRA A four) to the Rs. 6.00 crore fund based EPC/FBD/FBP/PCFC/EBR and Rs. 0.40 crore non fund based credit exposure limit (CEL) of SMF.

The reaffirmation of ratings continues to be constrained by SMF's weak financial risk profile characterised by low profitability, stretched capital structure and moderate coverage indicators; intense competition in the seafood industry entailing low net profitability. The profitability is further exposed to fluctuations in raw material prices as well as availability owing to a change in climatic conditions and disease outbreaks. Further, SMF is a partnership concern and any significant withdrawals from the capital account could adversely affect its net worth and thereby its capital structure.

The ratings, however, favourably factor in the long standing experience of the promoter in the seafood industry. The ratings also consider the favourable location of the plant in Veraval, Gujarat in proximity to the fishing belt on the coast of Gujarat, giving it easy access to raw materials. The ratings, also favourably considers the geographically diversified clientele with the growing demand of Indian seafood in overseas market.

ICRA expects the operating income of the firm to witness de-growth in FY2016 owing to lower volume off take, however from FY2017 onwards revenue is expected to show growth at a moderate pace driven by increasing demand. The profitability of the firm however will continue to remain exposed to adverse fluctuations in raw material prices given the firm's limited bargaining power with customers. In ICRA's view, the ability of the firm to efficiently manage the impact of raw material price changes on its profitability thereby improving the margins and improve its capital structure by managing working capital requirements will remain the key rating sensitivities.

Firm Profile

Soneri Marine Foods was established in the year 2007 as a partnership firm and is engaged in processing and export of seafood mainly frozen fish products such as Croaker Fish, Cuttle Fish, Ribbon Fish, Indian Mackerel and Horse Mackerel among others and value added products of frozen crabs i.e. Blue Swimming Crab and Three Spotted Crab. The firm is own and managed by Mr. Prakash Soneri and other family members.

The processing unit of SMF is located at Veraval, Gujarat with an installed capacity to process 70 tonnes per day (TPD) and storage capacity of 750 tonnes of seafood products.

Recent Results

In FY2015 (unaudited provisional numbers), SMF reported an operating income of Rs. 27.26 crore and net profit of Rs. 0.29 crore against an operating income of Rs. 40.33 crore and net profit of Rs. 0.31 crore in FY2014.

April 2016

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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