

## Premier Marine Products Private Limited

Instruments	Amounts (Rs. crore <sup>1</sup> )	Rating action (June 2016)
Long-term - Fund based facilities	10.00	[ICRA]BB+ (Stable) / reaffirmed [ICRA]A4+ / reaffirmed
Short-term - Fund based facilities	20.00	
Short-term - Fund based facilities (sub-limit)	(2.70)	
Short-term - Non-fund based facilities	3.00	

ICRA has reaffirmed the long-term rating of [ICRA]BB+ (pronounced ICRA double B plus) outstanding on the Rs. 10.00 crore fund based facilities of Premier Marine Products Private Limited (PMPPL / the company)<sup>2</sup>. ICRA has also reaffirmed the short-term rating of [ICRA]A4+ (pronounced ICRA A four plus) outstanding on the Rs. 20.00 crore fund based facilities, the Rs. 2.70 crore fund based (sub-limit) facilities and the Rs. 3.00 crore non-fund based facilities of the company. The outlook on the long-term rating is stable.

ICRA has considered the consolidated business / financial performance of the six entities (Devi Marine Food Exports Private Limited, Universal Cold Storage Private Limited, Liberty Frozen Foods Private Limited, Kader Exports Private Limited, Kader Investment and Trading Company Private Limited and Premier Marine Products Private Limited) engaged in export of seafood, for the purpose of ratings in view of the common management and close operational linkages between these entities.

The reaffirmation in ratings take into account the stable volumes posted by the group in FY2016 despite pressure on realizations due to increase in global supply with South East Asian shrimp producing countries gradually recovering from the effects of disease outbreaks and widening of farming area in the country. Despite drop in realization by ~15% during last fiscal, the group was able to sustain its margins due to its ability to pass on the variation in prices to the farmers. Steady demand outlook and marginal uptick in prices in current fiscal augurs well for the near term revenue growth of the group. The ratings also consider the established presence of the Liberty group in the seafood export business over three decades, the proximity of the group's processing facilities to major aquaculture belts, which reduces the risk of raw material availability and the diversified revenue base of the group across geographies which lend stability to volumes and realisations to an extent.

The ratings are, however, constrained by relatively thin profitability in the seafood processing business on the back of limited pricing flexibility arising from intense competition in the industry and weak financial profile characterized by leveraged capital structure. The ratings also take into account the inherent risks associated with the seafood industry like susceptibility to disease, climate change risk, vulnerability to regulations proposed by importing nations, export benefits provided by the Indian government and the susceptibility of earnings to raw material prices and exchange rate volatility. While the United States (US) has hiked the anti dumping duty for shrimp exports from India during the preliminary review in March 2016, the impact of the same is likely to be passed on to the farmers as witnessed in the past. Going forward, the ability of the group to enhance its profit margins and improve its capital structure would be crucial for improvement in group's credit profile.

### Company / Group Profile

PMPPL is primarily engaged in the processing and export of seafood (largely shrimps). The company's seafood processing plant is located in Mandapam (Tamil Nadu).

The company forms part of the Liberty group (belongs to Kader family), which through its flagship company Liberty Oil Mills Limited is engaged in processing and marketing cooking oils and vanaspati. The group entered into the seafood business in 1982 and presently has five seafood processing plants at Andhra Pradesh (Bhimavaran-two plants and Vishakapatnam) and at Tamil Nadu (Mandapam and Turicorin). The group exports seafood largely to the US, Europe and Japan. The group deals with a variety of marine products ranging from aqua-cultured (vannamei), freshwater and sea caught shrimps (Black Tiger, Brown tiger, White and Flower Shrimps) to various other seafood under brand names 'Unistar', 'Anchor', 'U', 'Petals', 'Meizen', 'Vital' and 'Premier'.

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, refer ICRA's website ([www.icra.in](http://www.icra.in)) or other ICRA rating publications

**Recent Results**

According to un-audited results, PMPPL has reported net profit of Rs. 1.3 crore on an operating income of Rs. 108.5 crore during FY2016 as against net profit of Rs. 1.4 crore on an operating income of Rs. 118.9 crore during FY2015.

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