

June 22, 2017

## Jinny Marine Traders

### Summary of rated instruments

Instrument*	Rated Amount (in Rs. crore)	Rating Action
Fund Based- Term Loan I	0.22	[ICRA]BB+ (Stable); re-affirmed
Fund Based- Term Loan II	2.02	[ICRA]BB+ (Stable); re-affirmed
Fund Based- EPC/FBD/FBP/PCFC/EBR <sup>^</sup>	16.00	[ICRA]A4+; re-affirmed
Non Fund Based- CEL <sup>^</sup>	1.25	[ICRA]A4+; re-affirmed
Unallocated limits	0.01	[ICRA]BB+ (Stable)/[ICRA]A4+; re-affirmed
<b>Total</b>	<b>19.50</b>	

<sup>^</sup>EPC- Export Packing Credit, FBD- Foreign Bill Discounting, FBP- Foreign Bill Purchase, PCFC- Packing Credit in Foreign Currency, EBR- Export Bill Rediscounting, CEL- Credit Exposure Limit

<sup>#</sup> Overall FBWC limit fully interchangeable within limit of Rs. 16.00 crore

\*Instrument details are provided in Annexure-1

### Rating action

ICRA has re-affirmed the long-term rating of [ICRA]BB+ (pronounced ICRA double B plus) to the Rs. 2.24 crore (reduced from Rs. 3.75 crore) term loan facility of Jinny Marine Traders (JMT). ICRA has also re-affirmed the short-term rating of [ICRA]A4+ (pronounced ICRA A four plus) to the Rs. 16.00 crore (enhanced from Rs. 12.00 crore) fund based EPC/FBD/FBP/PCFC/EBR and the Rs. 1.25 crore non-fund based credit exposure limit (CEL) of JMT. ICRA has further re-affirmed the [ICRA]BB+/[ICRA]A4+ rating on the Rs. 0.01 crore unallocated limits of JMT. The outlook on the long-term rating is 'Stable'.

### Rationale

The re-affirmation of ratings takes into account the significant experience of promoters in the seafood industry for more than a decade. The ratings continue to favourably factor in the firm's processing plant in Veraval, Gujarat, in the proximity to the fishing belt of the west coast, ensuring adequate supply of seafood. The ratings also draws comfort from the firm's geographically diversified clients, apart from those in its European markets, a major region for it.

The ratings, however, remain constrained by decline in the operating profit due to increase in the raw material cost and selling expenses during FY2017. The ratings also consider the financial profile of the firm characterised by high total outside liability levels (TOL/TNW of 5.30 times) and moderation in the coverage indicators (OPBDITA/I&F of 3.34 times and Total Debt/OPBDITA of 3.40 times) in FY2017 on account of stretched payables and increase in the working capital borrowings. The rating also takes into account the inherent risk associated with the seafood industry such as raw material availability, susceptibility of disease outbreaks and earning to raw material prices, climate change risk, exchange rate volatility and vulnerability to regulations proposed by importing nations. While assigning the rating, ICRA has also noted the likely risks of capital withdrawals and its adverse impact on capital structure that are inherent in partnership firms.

Going forward, the ability of JMT to achieve healthy revenue growth and improve profitability, while managing the working capital requirement by plummeting creditor days will remain one of the key rating sensitivities.

**Key rating drivers****Credit strengths**

- Long established experience of promoters in the seafood industry
- Proximity to the fishing belt offers easy access to raw materials; established relationship with suppliers for uninterrupted supply of raw materials
- Geographically diversified clientele across the USA, South Africa, Vietnam, etc., apart from EU countries, the firm's target market

**Credit weakness**

- Financial profile characterised by decline in operating profit, moderate coverage indicators and high total outside liabilities level (TOL/TNW) owing to stretch payables in FY2017
- Inherent risk in seafood industry like susceptibility to diseases, climatic change risks and governing regulatory norms in the EU, USA and other importing countries
- Profitability exposed to exchange rate movements and change in raw material prices, although the firm is able to pass on a portion of its price rise to its customers
- Risk associated with partnership status; any substantial withdrawal would adversely affect the capital structure of the firm

**Description of key rating drivers:**

JMT processes and exports seafood that includes a variety of shrimps and cephalopods (squid, octopus and cuttlefish). Its manufacturing unit is located in proximity to Gujarat, the western coastal state. The promoters of the firm have extensive experience in the seafood industry. The firm caters to export markets with ~93% of revenues being generated by European markets, especially from Italy (~60%), Spain (~11%) and Portugal (~10%) in FY2017. Furthermore, the firm received ~31% of revenues from the export of shrimps and the rest from cephalopod in FY2017.

The operating income of the firm witnessed ~5% growth in operating income (OI) from Rs. 116.39 crore in FY2015 to Rs. 122.04 crore in FY2016 due to ~3% increase in volumes. During FY2017, the operating income further increased by ~13% to Rs. 138.56 crore owing to 17% growth in realisations (from Rs. 283.49 per kg in FY2016 to Rs. 333.05 per kg), moderating the effect of volume de-growth by 4% (from 4,007 MT in FY2016 to 3,851 MT in FY2017). The gearing level continued to remain at comfortable levels owing to healthy capital structure. However, the firm's coverage indicators (OPBDITA/I&F of 3.34 times and Total Debt/ OPBDITA of 3.40 times) had weakened in FY2017 due to decline in the operating profit and rise in the debt level. Furthermore, the high payables in the past (during FY2014–FY2017) to support its working capital requirement had resulted in high total outside liabilities levels of 5.30 times in FY2017.

The Indian seafood industry is highly fragmented in nature, characterised by a large number of organised and unorganised players. Low entry barriers, lack of product differentiation, volatility of raw material in terms of availability and pricing, and low value-addition in the industry result in high competition among industry players. Furthermore, the profitability is susceptible to diseases, climate changes and government regulations. However, the extensive experience of the promoters and the geographically diversified clientele support JMT in facing competition amid low entry barriers in the seafood industry.

**Analytical approach:**

For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

**Links to applicable criteria**

[Corporate Credit Rating Methodology](#)

**About the company:**

Jinny Marine Traders (JMT) was established as a proprietary firm in 1992 by Mr. K.P. Thomas. In April 2012, the constitution was changed to a partnership firm. The firm is currently managed by Mr. Kenny Thomas and Mr. Binny Thomas. The firm is primarily engaged in the processing and exporting of seafood. The firm's seafood processing plants are located in Veraval (Gujarat) with an accumulated capacity of 85 tonnes per day (TPD) and storage capacity of 4050 metric tonnes. The firm sells a variety of shrimps and cephalopods under brands, 'Wave' and 'Sasha'.

In FY2016, the firm reported an operating income of Rs. 122.04 crore with a net profit of Rs. 2.72 crore. In FY2017 (unaudited provisional financials), the firm reported an operating income of Rs. 138.56 crore with a net profit of Rs. 2.42 crore.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:**

**Table:**

S. No.	Instrument				Current Rating (2017)	Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016		Date & Rating in FY2015
					June 2017	-	March 2016	April 2015	-
1	Term Loan I	Long Term	0.22	N.A.	[ICRA]BB+ (Stable)	-	[ICRA]BB+ (Stable)	[ICRA]BB (Stable)	-
2	Term Loan II	Long Term	2.02	N.A.	[ICRA]BB+ (Stable)	-	[ICRA]BB+ (Stable)	[ICRA]BB (Stable)	-
3	EPC/FBD/ FBP/PCFC/ EBR <sup>#</sup>	Short Term	16.00	N.A.	[ICRA]A4+	-	[ICRA]A4+	[ICRA]A4	
4	CEL <sup>^</sup>	Short Term	1.25	N.A.	[ICRA]A4+	-	[ICRA]A4+	[ICRA]A4	-
5	Unallocated	Long Term/Short Term	0.01	N.A.	[ICRA]BB+(Stable)/[ICRA]A4+	-	N.A.	N.A.	

<sup>^</sup>EPC- Export Packing Credit, FBD- Foreign Bill Discounting, FBP- Foreign Bill Purchase, PCFC- Packing Credit in Foreign Currency, EBR- Export Bill Rediscounting, CEL- Credit Exposure Limit

<sup>#</sup> Overall FBWC limit fully interchangeable within limit of Rs. 16.00 crore

**Complexity level of the rated instrument:**

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)

**Annexure-1**  
**Instrument Details**

<b>Name of the instrument</b>	<b>Date of Issuance/Sanction</b>	<b>Coupon rate</b>	<b>Maturity Date</b>	<b>Amount Details (Rs.)</b>	<b>Current Rating and Outlook</b>
Term Loan I	April 2012	-	October 2017	0.22	[ICRA]BB+ (Stable)
Term Loan II	August 2015	-	March 2022	2.02	[ICRA]BB+ (Stable)
EPC/FBD/ FBP/PCFC/ EBR <sup>^</sup>	-	-	-	16.00	[ICRA]A4+
CEL <sup>^</sup>	-	-	-	1.25	[ICRA]A4+
Unallocated	-	-	-	0.01	[ICRA]BB+(Stable)[ICRA]A4+

<sup>^</sup>EPC- Export Packing Credit, FBD- Foreign Bill Discounting, FBP- Foreign Bill Purchase, PCFC- Packing Credit in Foreign Currency, EBR- Export Bill Rediscounting, CEL- Credit Exposure Limit

<sup>#</sup> Overall FBWC limit fully interchangeable within limit of Rs. 16.00 crore

Source: Jinny Marine Traders

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**About ICRA Limited:**

**ICRA Limited** was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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