

Edhayam Frozen Foods Private Limited

Instruments	Amounts (Rs. crore ¹)	Rating action
Long-term – Term loans	1.48	[ICRA]BB (Stable) / withdrawn
Short-term – Fund based facilities	36.00	[ICRA]A4+ / outstanding

ICRA has withdrawn the long-term rating of [ICRA]BB (pronounced ICRA double B) outstanding on the Rs. 1.48 crore term loan facilities of Edhayam Frozen Foods Private Limited (EFFPL / the Company)². ICRA has short-term rating of [ICRA]A4+ (pronounced ICRA four plus) outstanding on the Rs. 36.00 crore fund based facilities of the Company.

In arriving at the ratings, ICRA has taken a consolidated view of the four entities under Diamond Sea Food group (“DSF group”/ “the group”) - Diamond Seafood Exports, Edhayam Frozen Foods Private Limited, Kadalkanny Frozen Foods and Theva & Co., considering the common management team and the presence of strong operational linkages among the entities.

The rating reaffirmation factors in moderate revenue growth of the group in FY2015 supported by improvement in volumes (3.7%) on the back of stable demand. However, the revenue growth was offset to an extent by decline in realizations due to sharp drop in prices since H2, FY2015 attributed to increase in global supply with South East Asian shrimp producing countries recovering gradually from the effects of disease outbreaks. In current fiscal also, while the steady demand has supported the volumes of the group to an extent, sustenance of prices at lower levels on the backdrop of increasing global supply had negatively impacted the revenues. The ratings also reflects the established presence of DSF group in the seafood business for about four decades, moderate geographical diversification, the group’s long standing relationship with its clientele, the proximity of the group’s processing facilities to major aquaculture belts, which reduces the risk of raw material availability and the support for its operations to an extent by the power generated from the windmills (which offsets ~50% of the group’s total power requirement).

The ratings are, however, constrained by limited pricing flexibility arising from intense competition in the highly fragmented seafood industry with minimal product differentiation and weak financial profile characterized by moderate debt protection metrics and leveraged capital structure on account of high working capital borrowings and significant capital withdrawal by the promoters in the partnership firms. The ratings also take into account the inherent risks associated with the sea food 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. Going forward, the ability of the group to improve capital structure and sustain revenue growth and profitability (given the subdued price trend and gradual recovery of supply from South East Asian countries post disease outbreak) would remain the key rating sensitivities.

Company / Group Profile

Incorporated in 2002, EFFPL exports sea foods (like shrimps, cuttlefish, squid etc.) to Europe Union (EU), Japan and United Kingdom among others and has EU approved shrimp processing facility at Tuticorin (Tamil Nadu) with an installed capacity of around 1,725 tonnes per month.

The entity forms part of Tuticorin-based DSF group which is primarily engaged in the processing and export of sea foods (mainly shrimp, cuttlefish, crab and squid). The group has presence in other segments of the sea food value chain like feed sales, hatching and aquaculture through separate entities. The group also has a shopping mall-cum-hotel in Tuticorin under the name DSF Grand Plazas Private Limited.

Recent Results

The Company had reported net profit of Rs. 1.1 crore on an operating income of Rs. 204.7 crore during FY2015 as against net profit of Rs. 1.7 crore on an operating income of Rs. 127.0 crore during FY2014.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, refer ICRA’s website (www.icra.in) or other ICRA rating publications



The group had reported net profit of Rs. 4.0 crore on an operating income of Rs. 676.9 crore during FY2015 as against net profit of Rs. 15.8 crore on an operating income of Rs. 640.1 crore during FY2014.

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