

November 17, 2017

Sanchita Marine Products Private Limited

Summary of rated instruments

Instrument [#]	Rated Amount (in Rs. crore)	Rating Action
Short-term Non-fund Based Limit	55.00	[ICRA]A4+; ISSUER NOT COOPERATING*; Rating moved to the 'Issuer Not Cooperating' category

*Issuer did not cooperate; based on best available information

[#]Instrument details are provided in Annexure-1

Rating action

ICRA has moved the ratings for the Rs. 55.00 crore bank facilities of Sanchita Marine Products Private Limited ('SMPPL' or 'the company') to the 'Issuer Not Cooperating' category. The rating is now denoted as: "[ICRA]A4+ ISSUER NOT COOPERATING".

Rationale

The rating action is based on no updated information on the entity's performance since the time it was last rated in May, 2016. The lenders, investors and other market participants are thus advised to exercise appropriate caution while using this rating as the rating does not adequately reflect the credit risk profile of the entity. The entity's credit profile may have changed since the time it was last reviewed by ICRA; however, in the absence of requisite information, ICRA is unable to take a definitive rating action.

As part of its process and in accordance with its rating agreement with SMPPL, ICRA has been trying to seek information from the entity so as to monitor its performance, but despite repeated requests by ICRA, the entity's management has remained non-cooperative. In the absence of requisite information, and in line with SEBI's *Circular No. SEBI/HO/MIRSD4/CIR/2016/119, dated November 01, 2016*, ICRA's Rating Committee has taken a rating view based on the best available information.

Key rating drivers

Credit strengths

- **Vast experience of the promoters in the sea food processing industry-** Incorporated in 1976, SMPPL is involved in the storage and supply of frozen sea products such as different varieties of shrimps, fish, etc. Initially, the company was engaged in catching and supplying of marine products through auctions across Maharashtra and Gujarat. Later, in 1999, the company started exporting its marine products across Europe, China, USA, etc. Currently it primarily exports shrimps of different varieties and also other sea products like cephalopods, ribbon fish, silver pomfret etc in small quantities, as per the client's needs.
- **Increasing global demand for Indian shrimps-** India's seafood exports touched an all-time high of Rs. 37,870.90 crore in FY2017 on robust demand for frozen shrimp and frozen fish in overseas markets. The US and South East Asia continue to be major importers. The increasing demand for Indian shrimps in the overseas market will support the company's revenues going-forward.

Credit weaknesses

- **Highly fragmented industry structure with intense competition from domestic players and other shrimp-exporting nations limits margins-** The Indian sea food industry is highly fragmented in nature, characterised by the presence of a large number of organised and unorganised players. In addition to the intense domestic competition, Indian exporters also face competition from countries such as Vietnam, Indonesia and Thailand.
- **Exposure to inherent risks in the sea-food industry such as disease outbreak and climatic conditions-** Aquaculture depends on climatic conditions prevailing every season, which are unpredictable. Natural calamities such as floods and cyclones during the culture season can have serious impact on the prospects of a successful culture.
- **Profitability vulnerable to exchange rate fluctuations-** Given the export-oriented nature of operations, the company's receivables are exposed to foreign exchange fluctuation risks.

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

Links to applicable criteria:

[Corporate Credit Rating – A Note on Methodology](#)
[Policy in respect of non-cooperation by the rated entity](#)

About the company:

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Sanchita Frozen Foods Pvt. Ltd., a Sanchita group company, was set up in 2003 and is involved in the storage and supply of frozen sea products such as different varieties of shrimps, fish, etc.

Key Financial Indicators (Audited)

	FY2015	FY2016
Operating income (Rs. crore)	319.81	241.97
PAT / Concern share (Rs. crore)	2.46	1.59
OPBDIT/ OI (%)	1.85%	2.66%
RoCE (%)	19.84%	11.29%
Total Debt/ TNW (times)	2.68	1.89
Total Debt/ OPBDIT (times)	5.59	4.08
Interest coverage (times)	1.80	2.74
NWC/ OI (%)	11.25%	11.14%

OI: Operating Income; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Avg (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years:

Table:

S.No	Name of Instrument	Current Rating (2018)			Chronology of Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2017	Date & Rating in FY2016	Date & Rating in FY2015
				November 2017	August 2016	-	December 2014
1	Letter of Credit	Short-term	55.00	[ICRA]A4+; ISSUER NOT COOPERATING*	[ICRA]A4+	Not rated	[ICRA]A4+

*Issuer did not cooperate; based on the best available information

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

Annexure**Instrument details**

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. crore)	Current Rating and Outlook
Letter of Credit	-	-	-	55.00	[ICRA]A4+; ISSUER NOT COOPERATING*

Source: SMPPL

*Issuer did not cooperate; based on the best available information

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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.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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