

Goan Fresh Marine Exports Private Limited

July 31, 2018

Summary of rated instruments

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Term Loan	2.50	0.50	[ICRA]BB+ (Stable); reaffirmed
Short-term – fund-based	20.00	22.00	[ICRA]A4+; reaffirmed
Total	22.50	22.50	

Rating action

ICRA has reaffirmed the long-term rating at [ICRA]BB+ (pronounced ICRA double B plus) for the Rs. 0.50-crore term loan facilities of Goan Fresh Marine Exports Private Limited (Goan Fresh). The outlook on the long-term rating is Stable. ICRA has also reaffirmed the short-term rating at [ICRA]A4+ (pronounced ICRA A four plus) for Rs. 22.00-crore short term fund-based facilities of the company.

Rationale

The reaffirmation of the ratings continues to factor in the long experience of the promoters in the sea-food industry, favourable location of the plant giving it easy access to raw materials and repeat orders from customers. Further, the rating positively factors in the comfortable capital structure with low gearing and comfortable liquidity position with moderate working capital utilization and low working capital intensity during FY2018. ICRA also notes the favourable demand scenario for Indian shrimp in the international market.

The ratings are, however, constrained by the revenue de-growth in FY2018 owing to shortage in supply of raw materials with dip in sea catches. The ratings continue to be constrained by the limited value-additive nature of operations and intense competition from domestic players as well as other low-cost countries, resulting in low operating margins. Besides, there are inherent risks associated with the seafood industry such as seasonality in sales and raw material availability, and susceptibility of business to diseases outbreaks, climatic changes and changes in regulatory norms of importing nations. Besides, the margin remains susceptible to foreign currency risk and the change in export incentive extended by Government of India, given its export-oriented operations.

Going forward, the company plans to incur capital expenditure towards setting up of a new facility for Surimi business. The capital expenditure towards this is estimated to be around Rs. 11.00 crore which is proposed to be funded through sanctioned term loan of Rs. 7.50 crore, with the balance being funded by promoters. The company's ability to generate revenues and achieve profitability from new business is yet to be seen. The timely completion of the new facility, within the budgeted cost will be the critical for maintaining the debt-protection matrix.

Outlook: Stable

The Stable outlook reflects ICRA's expectation that Goan Fresh will continue to benefit from the extensive experience of the promoters and favourable location of the facility with proximity to raw materials. The outlook may be revised to Positive if there is improvement in the scale of operations and profitability. Conversely, the outlook may be revised to Negative if there is any deterioration in the coverage indicators or the capital structure of the firm.

Key rating drivers

Credit strengths

Long experience of the promoters in the seafood export industry - The promoters with experience of over three decades has aided the company in establishing a strong customer base for exports. The promoters are also engaged in operations of other companies in seafood industry.

Diversified revenue stream with presence in aquaculture products - Apart from exports of frozen fish, the company is also engaged in processing and export of shrimps procured from the farmers engaged in aquaculture farming, which reduces the dependence on sea catches to some extent. Further, it has plans to start Surimi business from FY2019, which will further diversify the revenues, going forward.

Financial profile characterised by comfortable capital structure and coverage metrics - The gearing continued to remain comfortable at 0.37 times as on March 31, 2018 (0.45 times as on March 31, 2017). The gearing is expected to increase in FY2019 as the company has availed additional term loan of Rs. 7.50 crore to fund setting-up of Surimi business. Other coverage metrics such as DSCR and NCA/TD remained healthy at 1.56 times and 61% respectively in FY2018. Further the liquidity position of the company remains comfortable with average working capital utilization of 70% of the drawing power and low working capital intensity of ~8% during FY2018.

Geographically diversified customer base - The major export destinations of the company are Vietnam and Thailand. The revenue contribution from the different countries has witnessed volatility over the years owing to variations in the demand, prices, availability of required materials and exchange rates. However, the diversification across the countries has helped the company to mitigate the revenue volatilities to an extent.

Credit challenges

De-growth in revenues and thin operating margins - The company's OI witnessed de-growth of ~11%, owing to subdued sea catches during the year which adversely impacted the supply of raw materials to the firm resulting in decline in sales volume from fish business. The operating margins of the company have been volatile on account of fluctuation in the raw material prices. Further, limited value-additive nature of operations and intense competition from domestic players as well as other low-cost countries, restricts the operating margins.

Margins susceptible to raw-material price fluctuation and forex fluctuations - The fisheries business is seasonal in nature. Seasonal variation in supply leads to fluctuation in raw-material prices, thereby affecting the margins of the company. Further, the company derives 100% of the revenues from export sales due to which it is exposed to foreign exchange fluctuation risk. However, the company hedges ~70% of the receivables by taking forward cover and PCFC facility.

Inherent risks in seafood industry such as change in climatic conditions, disease outbreaks and regulatory changes impacting material availability - The fisheries business is seasonal in nature and in addition every year fishery activities are banned for a period of two months. This in turn disrupts the operation of industry players. However, presence in shrimp business reduces the dependence on sea catches to some extent.

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:

Goan Fresh Marine Exports Private Limited was established by Mr. Haneef Thota in 2009 and commenced operations in August 2011. The company is primarily involved in the business of processing and export of frozen marine products like shrimps, Indian mackerel, ribbon fish, cuttle fish and squids. The company sources its raw material mainly from agents located in different areas of southern coastal belt and exports the frozen products to South East Asian Countries like Thailand, Vietnam and Malaysia. Goan Fresh has its processing factory located at Kota (Udupi) with a cooling capacity of 100 tonnes and storage capacity of 1,100 MT of frozen food.

As per provisional results for FY2018, the company reported net profit of Rs. 2.43 crore on an operating income (OI) of Rs. 140.70 crore, as against a net profit of Rs. 2.45 crore on an OI of Rs. 157.75 crore in FY2017.

Key financial indicators

	FY2017	FY2018 Prov
Operating Income (Rs. crore)	157.75	140.70
PAT (Rs. crore)	2.45	2.43
OPBDITA/ OI (%)	2.42%	3.14%
RoCE (%)	24.64%	32.94%
Total Debt/ TNW (times)	0.45	0.37
Total Debt/ OPBDITA (times)	1.59	1.32
Interest Coverage (times)	3.69	1.47
NWC/ OI (%)	3.71%	7.70%

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for last three years:

Instrument	Current Rating (FY2019)				Chronology of Rating History for the past 3 years		
	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
				July 2018	April 2017	March 2016	
1 Term Loan	Long-Term	0.50*	7.50	[ICRA]BB+ (Stable)	[ICRA]BB+ (Stable)	-	[ICRA]BB+ (Stable)
2 PC/PCFC/FDB/BRD	Short-Term	22.00	-	[ICRA]A4+	[ICRA]A4+	-	[ICRA]A4+

*Rs. 0.50 crore is being rated out of the outstanding term loan of Rs. 7.50 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

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	June 2018	-	FY2026	0.50	[ICRA]BB+ (Stable)
NA	PC/PCFC/FDB/BRD	-	-	-	22.00	[ICRA]A4+

Source: Goan Fresh Marine Exports Private Limited

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