

## Kader Investment & Trading Company Private Limited

April 30, 2019

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term - Term loan facilities	3.90	2.27	[ICRA]BBB- (Stable); Reaffirmed
Long-term - Fund based facilities	15.00	15.00	[ICRA]BBB- (Stable); Reaffirmed
Short-term - Fund based facilities	40.00	40.00	[ICRA]A3; Reaffirmed
Short-term - Fund based facilities	0.50	0.50	[ICRA]A3; Reaffirmed
Long-term/Short-term Unallocated	3.00	1.00	[ICRA]BBB- (Stable)/[ICRA]A3; Reaffirmed
<b>Total</b>	<b>62.40</b>	<b>58.77</b>	

\*Instrument details are provided in Annexure-1

### Rationale

ICRA has taken a consolidated view of the six entities (Devi Marine Food Exports Private Limited (DMFEPL), Universal Cold Storage Private Limited (UCSPL), Liberty Frozen Foods Private Limited (LFFPL), Kader Exports Private Limited (KEPL), Kader Investment and Trading Company Private Limited (KITCPL) and Premier Marine Products Private Limited (PMPPL)), referred to as the Liberty Group. For arriving at its consolidated ratings, ICRA has noted the common management, and close financial and operational linkages between these entities, who are primarily seafood exporters.

The reaffirmation of ratings favourably factors in the large scale of operations and an average financial risk profile of Liberty Group. The business risk profile favourably factors in the strong demand prospects from China, which is likely to support the Group's growth and the competitiveness of the Indian shrimp industry globally. The ratings continue to derive comfort from the extensive experience of the promoters and professional management for nearly four decades in the seafood industry. ICRA also notes the established customer and supplier base of the Group.

The US market accounted for more than 66% of the Group's sales in 11M FY2019. Due to an excess global supply situation and lower consumption in the US leading to de-stocking of shrimp reserves and consequent pressure on shrimp prices, the Group's overall revenues were impacted in the past couple of years. The ratings also remain constrained by the highly fragmented nature of the shrimp industry, characterised by intense competition leading to limited pricing power, sharp supply fluctuations, vulnerability to agro-climatic conditions and disease outbreaks. ICRA also notes the Group's debt-funded capacity expansion plan in western India, which is likely to keep its debt coverage indicators under pressure.

ICRA has noted the Group's ongoing merger process involving its five companies (DMFEPL, UCSPL, LFFPL, KITCPL, PMPPL) and another group company, Liberty Cold Storage Private Limited (LCSPL), into KEPL. The merger is likely to be concluded by H1 FY2020, subject to regulatory approvals. The merger is expected to improve the Group's operational efficiencies as it will eliminate duplication of regulatory and administrative costs. Though the merger is unlikely to have a significant bearing on the Group's business risk profile, ICRA will monitor the financials of the merged entity in case of any material deviation from ICRA's expectations.

## Outlook: Stable

ICRA expects the Liberty Group to continue to benefit from the extensive experience of its promoters in the industry. The outlook may be revised to Positive if substantial growth in revenue and profitability, and better working capital management, strengthens the financial risk profile. The outlook may be revised to Negative if cash accrual is lower than expected due to continued pressure on shrimp prices or volumes, or if any major capital expenditure, or stretch in the working capital cycle, weakens liquidity.

## Key rating drivers

### Credit strengths

**Extensive experience of the promoter** - The seafood division of the Liberty Group was established in 1979 and currently operates with a processing capacity of 222 MTPD. The promoter's experience and a strong management team with nearly four decades of experience have aided the Group in establishing a strong customer base for exports.

**Large scale of operations** - The Group is one of largest exporters of shrimp from India with a consolidated revenue of Rs. 1,642.9 crore in FY2018. It derives ~95% (FY2018) of its revenues from shrimp exports, while the rest comes from the export of sea-caught seafood like squids and cuttlefish, among others.

**Increasing share of Indian shrimp industry in the US market, coupled with strong shrimp demand from China, to support Group's growth prospects** - The US accounts for most of India's shrimp exports (by volume)—39% of the total Indian shrimp exported during 10M FY2019 (up from 34% during FY2016)—which has supported the Indian shrimp industry along with the Group's growth over the years. The favourable demand prospects for shrimps from China, due to lower production related to environmental issues and increasing consumption driven by a strong middle class, is also expected to support the company's growth.

### Credit challenges

**Low operating margins due to low value addition and modest debt protection metrics** - The Group's overall operating margin has varied in the range of 3-4% due low value addition in the nature of the business. Improvement in the demand scenario from the US and change in the Group's product mix towards value-added products would be key for enhancing its profitability. Further, the company's debt protection metrics as reflected in the consolidated group debt/OPBITDA of 4.7x in FY2018 remains moderately stretched. ICRA also notes the Group's debt-funded capacity expansion plan of Rs. 80 crore in western India, which is likely to keep the Group's debt coverage indicators under pressure.

**Fragmented industry structure with intense competition** - The Indian seafood export industry is highly fragmented with a few large players and several small processors. In addition to the intense domestic competition, Indian exporters face competition from countries like Ecuador, Indonesia, Thailand and Vietnam, which are major producers of Vannamee shrimp.

**Aquaculture production vulnerable to change in climatic conditions and disease outbreaks that impact sales** - The risk of extreme climatic conditions and disease outbreaks are inherent in shrimp farming. Extreme climatic conditions could result in adverse farming conditions, affecting the mortality rate and the quality of farmed shrimp. However, better farm management practices, such as lower number of production cycles with sufficient time gaps and low stocking density, have aided in limiting production loss.

### Liquidity position:

The Group has a term loan outstanding of Rs. 12.6 crore as on March 31, 2018. The Group also had a moderate cash and bank balance of Rs. 25.0 crore as on March 31, 2018, and average undrawn sanctioned limit utilisation of 42%. The company's liquidity is likely to remain under pressure, given its planned debt-funded capex in FY2020. However, ICRA expects the promoters to support the company through unsecured loans in case of any shortfall.

### Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group Support	Not Applicable
Consolidation / Standalone	The rating is based on a consolidated view of the Liberty Group, comprising six companies—i.e., 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, given the common management and close financial and operational linkages between them.

### About the company

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

The company forms part of the Liberty Group (owned by the Kader family). The Group entered into the seafood business in 1982, and at present, has three seafood processing plants in Andhra Pradesh (two at Bhimavaram and one at Visakhapatnam) and two in Tamil Nadu (one each at Mandapam and Tuticorin). The Group largely exports seafood to the US, Europe, China and Japan.

### Key financial indicators (audited)

	FY2017	FY2018
Operating Income (Rs. crore)	200.4	251.8
PAT (Rs. crore)	2.4	2.0
OPBDIT/OI (%)	3.2%	2.7%
RoCE (%)	16.5%	16.4%
Total Debt/TNW (times)	2.1	1.2
Total Debt/OPBDIT (times)	3.8	2.6
Interest coverage (times)	3.8	3.5

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

### Any other information: None

### Rating history for last three years:

Current Rating (FY2019)					Chronology of Rating History for the Past 3 Years			
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating	Date & Rating in FY2018		Date & Rating in FY2017	Date & Rating in FY2016
				Apr-19	Oct-17	Aug-17	Jul-16	Jul-15
1 Term Loan	Long term	2.27	2.27	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BB+(Stable)	[ICRA]BB+(Stable)
2 Fund based - Packing credit	Long term	15.00	-	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BB+(Stable)	[ICRA]BB+(Stable)
3 Fund based - FOBN	Short term	40.00	-	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A4+	[ICRA]A4+
4 Non Fund based-LC	Short term	0.50	-	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A4+	[ICRA]A4+
5 Unallocated	Long-term/Short term	1.00	-	[ICRA]BBB-(Stable)/ [ICRA]A3	[ICRA]BBB-(Stable)/ [ICRA]A3	-	-	-

### 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

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
-	Term Loan	-	12.5%	Jul-21	2.27	[ICRA]BBB- (Stable)
-	Fund based - Packing credit	-	-	-	15.00	[ICRA]BBB- (Stable)
-	Fund based - FOBN	-	-	-	40.00	[ICRA]A3
-	Non Fund based- LC	-	-	-	0.50	[ICRA]A3
-	Unallocated	-	-	-	1.00	[ICRA]BBB- (Stable)/[ICRA]A3

Source: Kader Investment and Trading Company Private Limited

## Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Devi Marine Food Exports Private Limited	Group company	ICRA has taken a consolidated view of six companies of the Liberty group
Universal Cold Storage Private Limited	Group company	
Liberty Frozen Foods Private Limited	Group company	
Kader Exports Private Limited	Group company	
Kader Investment and Trading Company Private Limited	Group company	
Premier Marine Products Private Limited.	Group company	

## ANALYST CONTACTS

**Subrata Ray**

+91 22 6114 3408

[subrata@icraindia.com](mailto:subrata@icraindia.com)

**Jay Sheth**

+91 22 6114 3419

[jay.sheth@icraindia.com](mailto:jay.sheth@icraindia.com)

**Abhilash Mishra**

+91 22 6114 3421

[abhilash.mishra@icraindia.com](mailto:abhilash.mishra@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**

+91 80 4332 6401

[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

## 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.

For more information, visit [www.icra.in](http://www.icra.in)

## ICRA Limited

### Corporate Office

Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002

Tel: +91 124 4545300

Email: [info@icraindia.com](mailto:info@icraindia.com)

Website: [www.icra.in](http://www.icra.in)

### Registered Office

1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001

Tel: +91 11 23357940-50

### Branches

Mumbai + (91 22) 24331046/53/62/74/86/87

Chennai + (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,

Kolkata + (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,

Bangalore + (91 80) 2559 7401/4049

Ahmedabad+ (91 79) 2658 4924/5049/2008

Hyderabad + (91 40) 2373 5061/7251

Pune + (91 20) 2556 0194/ 6606 9999

© Copyright, 2019 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents