

## Janatha Fish Meal & Oil Products

Instrument	Amount (Rs. Crore <sup>1</sup> )	Rating Action
		<b>April 2016</b>
Long Term - Fund Based (CC)	30.95 (enhanced from 25.00)	[ICRA]BBB- (stable) reaffirmed
Long Term - Fund Based - Term Loan	6.30 (reduced from 12.25)	[ICRA]BBB- (stable) reaffirmed
Short Term - Non Fund Based	3.00	[ICRA]A3 reaffirmed

ICRA has reaffirmed the long term rating of **[ICRA]BBB-** (pronounced ICRA triple B minus)<sup>2</sup> assigned to Rs. 30.95 crore (enhanced from Rs. 25.00 crore) long term fund based facilities and Rs. 6.30 crore (reduced from Rs. 12.25 crore) term loan facilities of Janatha Fish Meal & Oil Products (JFM / the firm). The outlook on the long term rating is **stable**. ICRA has also reaffirmed the short term rating of **[ICRA]A3** (pronounced ICRA A three) assigned to Rs. 3.00 crore short term non fund based facilities of the firm.

The reaffirmation in ratings take into account the long standing experience of the promoters in the fish meal and oil products business and the proximity of the unit to the India's west coast thereby facilitating easy and timely procurement of raw materials in addition to lowered transportation cost. The rating also factors in the strong financial profile of the firm marked by comfortable gearing and coverage indicators and the improvement in the operating margins aided by scale economies. The ratings, however, are constrained by the decline in the turnover of the firm during 2015-16 owing to reduced orders from one of its top customers and also on account of reduced availability of raw fish during the current fiscal. The business remains vulnerable to changes in the agro-climatic conditions that may affect the material availability. The firm enjoys limited pricing flexibility owing to its presence in a fragmented and competitive industry coupled with commoditized nature of the product. The ratings are also constrained by the high customer concentration risk with top 5 customers contributing to about 75% of total revenue during 9M 2015-16. The firm is also exposed to the foreign currency fluctuation risk as it derives about 30-40% of its revenues from exports; however, the firm hedges around 60% of its exposure using forward contracts and PCFC facilities. The firm is also exposed to the inherent risks associated with partnership nature of business including risk of capital withdrawal and limited ability to raise funds, among others.

### Company Profile

Established in the year 1989, Janatha Fish Meal & Oil Products (JFM), is engaged in manufacturing of fish meal and fish oil – which are primarily used as raw material (along with maize and soya) for aqua-feed manufacturing. The firm's plant is located in Kota, Udupi district of Karnataka, with an installed crushing capacity of 750 tons per day. The firm procures its raw material (raw fish) from the local agents and sells fish meal and oil in the domestic as well as international markets.

### Recent Results

The firm reported a net profit of Rs. 7.5 crore on an operating income of Rs. 262.3 crore during the financial year 2014-15, as against a net profit of Rs. 3.8 crore on an operating income of Rs. 202.1 crore during 2013-14. As per provisional financials for the nine months ending December 31, 2015, the firm reported a net profit of Rs. 5.5 crore on an operating income of Rs. 190.8 crore.

**April 2016**

<sup>1</sup> 100 lakh = 1 crore = 10 million

<sup>2</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.



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