



RATING RATIONALE

18 Nov 2020

AUTHENTIC OCEAN TREASURE

Brickwork Ratings reaffirms the short term rating for the Bank Loan Facilities of ₹. 20.00 Crores of Authentic Ocean Treasure.

Particulars

Facility	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous (Oct, 2019)	Present
Fund Based	20.00	20.00	Short Term	BWR A4+ (Reaffirmed)	BWR A4+ (Reaffirmed)
Total	20.00	20.00	INR Twenty Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

Note: Short term rating of 'BWR A4+' is mapped from long term rating of 'BWR BB+' .

RATING ACTION / OUTLOOK

Brickwork Ratings has **reaffirmed** the short term rating of '**BWR A4+**', for the bank loan facilities amounting Rs. 20.00 Crores of Authentic Ocean Treasure.

BWR has essentially relied upon the audited financial results up to FY20, publicly available information, and information/clarifications provided by the company's management, to arrive at the present rating.

The rating has factored in, inter alia, the extensive experience of the partner of over two decades in the seafood trading and processing line of business,, year on year improvement in total operating income and tangible net worth from FY18 to FY20, low gearing and comfortable debt protection metrics in FY20, as well as a locational advantage of the firm being located in the fish growing belt. However, the rating is constrained by limited track record, modest scale of operation and intense competition in the industry. Going forward, the ability of the firm to scale up its operations, to increase its profit margins while maintaining a healthy overall financial risk profile in an intensely competitive industry, will remain the key rating sensitivities.

KEY RATING DRIVERS

BWR has essentially relied upon the audited financial results up to FY19, twelve months income details in FY20 of Lakshmi Flour Mills, publicly available information and information/clarifications provided by the firm's management.



Credit Strengths :

- **Experienced Management Team** : The partners of the firm are having more than two decades of industry experience in processing and selling of seafood.
- **Year on Year Increase in Total Operating Income** : Improvement in Total Operating from Rs.67.18 Cr in FY18 to Rs.168.80 Cr in FY19 & to Rs. 191.15 Cr in FY20. The firm has sales of Rs.74.92 Cr in Seven months in FY21 during April 2020 to October 2020.
- **Improved Tangible Net Worth in FY20** : The tangible net worth of the firm was increased from Rs. 44.05 Cr as on 31 march 2019 to Rs.77.92 Cr as on 31 March 2020, due to retained profits.
- **Low Gearing in FY20** : The firm has low gearing with TOL/TNW of 0.09 times as on 31 march 2020 as against 0.27 times as on 31 March 2019.

Credit Weaknesses :

- **Limited Track Record** : Limited track record due to existence of the firm for four years only.
- **Presence in Highly Competitive and Fragmented Industry**: The seafood export industry consists of a large number of organised and unorganised players due to low entry barriers which limits the bargaining power of stakeholders and places pressure on its profitability.
- **Susceptibility of Profit Margins to Foreign Exchange Fluctuation Risk**: The concern is exporting finished good products. However, the concern does not engage in any hedging practices to cover foreign exchange fluctuation risk.
- **Partnership Constitution**: Besides the inherent risks such as capital withwaryl & dissolution, the partnership constitution of an entity restricts its ability to raise capital at competitive terms.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone performance of Authentic Ocean Treasure and has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

RATING SENSITIVITIES

Going forward, the ability of the firm to scale up its operations and to increase its profit margins while maintaining its gearing at low would be the key rating sensitivities.



Positive: The rating may be positively revised if there is further growth in revenue and profit margins while maintaining a healthy overall financial profile.

Negative: The rating may be adversely affected if there is deterioration in capital structure, profit margins and any delays in payment of its debt obligations.

LIQUIDITY POSITION : Adequate

The firm's liquidity position is adequate with a current ratio of 8.44 times in FY20 as against 2.87 times in FY19. The cash and cash equivalents of the firm were at Rs.4.50 Crores as on 31 March 2020 as against Rs. 0.34 Crores as on 31 March 2019.

FIRM'S PROFILE

Authentic Ocean Treasure, a partnership firm was established in 2016 and based in Mangalore, Karnataka. The Firm's registered office and fish processing unit is located in Mangalore SEZ, Karnataka. The firm is into processing of Surimi (fish meat without bones) with a total installed capacity of 100 MT per day and exporting the processed fish to clients in countries like Singapore, Thailand, Taiwan, Malaysia, etc.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY19	FY20
Result Type		(Audited)	(Audited)
Total Operating Income	Rs. Crores	168.80	191.15
EBITDA	Rs. Crores	45.48	57.82
PAT	Rs. Crores	44.08	55.81
Tangible Net Worth (TNW)	Rs. Crores	44.05	77.92
TOL/ TNW	Times	0.27	0.09
Current Ratio	Times	2.87	8.44

NON-COOPERATION WITH PREVIOUS RATING AGENCY : Nil

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Facility	Current Rating (2020)			Rating History^								
	Type	Amount (Rs. Cr)	Rating	2019			2018			2017		
Fund Based	Long Term	0.00	--	--			<u>21.09.2018</u> Reaffirmation of BWR B and simultaneous withdrawal			<u>13.01.2019</u>		
										FB	15.00	BWR B Stable (Assigned)
	Total		15.00									
	Short Term	20.00	BWR A4+ (Reaffirmed)	<u>22.10.2019</u>			<u>21.09.2018</u>			<u>13.01.2019</u>		
FB				20.00	BWR A4+ (Reaffirmed)	FB	20.00	BWR A4+ (Upgraded)	FB	10.00	BWR A4 (Assigned)	
Total		20.00										
Total		20.00	INR Twenty Crores Only									

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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Annexure I

Authentic Ocean Treasure Details of Bank Loan Facilities rated by BWR

Sl.No.	Name of the Bank	Type of Facility	Long Term [Rs. Crs]	Short Term [Rs. Crs]	Total [Rs. Crs]
1	Canara Bank	PC/ PCFC / BRD/ FDB/ FBE/RA	-	20.00	20.00
TOTAL					20.00

Total Rupees Twenty Crores Only

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