



Rating Rationale

AVR Marines Private Limited

23 Apr 2019

Brickwork Ratings reaffirms the long term ratings and withdraws the short term ratings for the Bank Loan Facilities of ₹ 21.40 Crores of M/s. AVR Marines Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (December, 2017)	Present
Fund based: Cash credit Term loan # Working capital (proposed)	9.00 6.00 -	- 5.40 16.00	Long Term	BWR B+ (Pronounced as BWR Single B plus) Outlook: stable	BWR B+ (Pronounced as BWR Single B plus) Outlook: stable (Reaffirmation)
Packing credit	7.00	-	Short Term	BWR A4 (Pronounced as BWR A Four)	Withdrawn
Total	22.00	21.40	INR Twenty One Crores and Forty Lakhs Only		

Term loan outstanding amount as on 31.3.2019

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Brickwork Ratings reaffirms the ratings of **BWR B+ (outlook stable)** for the long term facilities of ₹ 21.40 Crores and withdraws the rating of BWR A4 for short term facilities of AVR Marines Pvt Ltd.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials of the company up till FY18, Provisional statement for 30.9.2018, projections for FY20 and clarification/information provided by the management of the company.

The rating assigned to the bank loan facilities of AVR Marines Pvt Ltd draws strength from



extensive experience of the management in the seafood processing industry, proposed project for setting up of storage & processing unit, completion of construction and locational advantage for marine industry. The rating is however, constrained by delay in commencement of commercial operations of the new unit, achievement of projected revenue and profitability level, high competitive nature of operations from many small & medium players & working capital requirement and inherent risk relating to fluctuating raw material prices.

Going forward, the ability of the company to commence its business operations, to achieve its revenue and profitability margins, bring in remaining portion of promoters contribution and manage its working capital requirements efficiently would be the key rating sensitivities of the company.

Key Rating Drivers

Management Experience: Promoters have been in the relevant seafood processing industry for more than a decade. Mr. Addala Venkata Raju, Managing Director has been carrying on similar line of activity under the name of M/s Pure Imports and Exports.

Locational Advantage: The proposed project for the cold storage at Attili Mandal, West Godavari, Andhra Pradesh is recognised as a major seafood exports region. The unit is located near major aquaculture belt reducing the risk of availability of raw materials.

Delay in commencement of business operations: The company was expected to commence its business operations during February 2018, however same has been tentatively changed to April 2019.

Achieve projected Revenue and profitability level: As per the projected statements submitted by the management the operating capacity for FY 19 was estimated at 40% PA with production quantity of 20 MT per day of fish & prawns; 45% PA for FY 20 and with an increase of 5% PA for each subsequent year.

Exposure to intense competition from many small and medium players in the industry: The seafood processing industry is highly fragmented, with intense competition from both organized and unorganized players

Fluctuations relating to foreign currency transactions: The management plans to export to various customers located internationally; will in turn expose the unit to risks relating to fluctuations in foreign currency transaction



Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: *Stable*

BWR believes that M/s. **AVR Marines Pvt Ltd's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

AVR Marines Pvt Ltd was incorporated as a private limited company during August 2015 at for constructing a cold storage unit for marine products at Attili Mandal, Andhra Pradesh. The company is constituted by two directors namely, Mr. Addala Venkata Raju, Managing Director and Mrs. Addala Susheela. The directors have experience in the similar line of business for more than a decade. Mr. Addala Venkata Raju, MD has been running a proprietary firm for trading and exporting of chilled prawns since 2011. The proposed activity of the cold storage unit is to procure fish and prawns from aqua farmers, suppliers, fishing harbor in PUF insulated vehicles, process them and export to units located at UAE, Muscat, Qatar etc. The processed fish are frozen using Plate freezing, Blast freezing and IQF freezing. The installed capacity of the cold storage unit is 50 MT of fish and prawns per day. As per the management, it plans to appoint 150 - 175 permanent employees for its proposed 3 shift operations; along with 900 - 1200 hired employees. As per the management, the tentative time for commencement of business operations is April 2019.

Company Financial Performance

As per the projected statement, the management had estimated the operating capacity at 40% PA for FY 19 with production quantity of 20 MT per day of fish & prawns; 45% PA for FY20 and with an increase of 5% PA each for subsequent years. The tangible net worth of the company for FY19 stood at Rs. 4.49 Crs (includes, adjustment of administrative expenses during the year) as against Rs. 4.50 Crs in FY 17. The estimated operating revenue for FY19 was at Rs. 62.87 Crs with PAT at Rs. (0.03) Crs. Gearing of the company for FY18 was slightly high with Debt Equity ratio at 2.52 times as against 1.42 times in FY17. The company has put up a proposal with State Bank of India, Bhimavaram Br., for working capital requirements of Rs. 16.00 Crs.

Rating History for the last three years

S.No	Facilities	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating (Reaffirmation)	FY18	FY17	FY16
1 2	Fund Based: Term loan Working Capital (proposed)	Long term	5.40	BWR B+ (Pronounced as BWR Single B plus) outlook stable	-	BWR B+ (Pronounced as BWR Single B plus) outlook stable	-
			16.00				
3	Packing credit	Short term	-	Withdrawn	-	BWR A4 (Pronounced as BWR A Four)	
	Total		21.40	₹ Twenty One Crores and Forty Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments : Not Applicable

Any other information: None

Key Financial Indicators

Key Parameters	Units	FY 2018 (Audited)	FY 2017 (Audited)
Operating Revenue	₹ Crs	0.00	0.00
EBITDA	₹ Crs	(0.01)	(0.01)
PAT	₹ Crs	(0.01)	0.00
Tangible Net worth	₹ Crs	4.49	4.50
Total Debt/Tangible Net worth	Times	2.52	1.42
Current Ratio	Times	4.21	18.15

Hyperlink/Reference to applicable Criteria

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



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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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