

Rating Rationale

AVR Marines Pvt Ltd

27 December 2017

Brickwork Ratings assigns BWR B+/A4 for the proposed Bank Loan Facilities of Rs.22.00 Cr of AVR Marines Pvt Ltd (AVRMPL or “the company”)

Particulars

Proposed Facility Rated		Amount # (Rs. Cr)	Tenure	Rating *
Fund Based	Term Loan	6.00	Long term	BWR B+ (Pronounced BWR Single B Plus) Outlook: Stable Assigned
	Cash Credit	9.00		
	Packing Credit	7.00	Short term	BWR A4
Total		Rs. 22.00 Crores (Rupees Twenty two Crores Only)		

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

Annexure I provide bank – wise details of facilities

Rationale/ Description of Key Rating Drivers/ Rating Sensitivities

BWR has essentially relied upon the audited financials of FY17, projected financials upto FY 20, publicly available information and information clarifications provided by the company’s management.

The rating draws strength from the experience of the promoters in the seafood processing industry and locational advantages. The rating is constrained by the nascent stage of operations, absence of operational track record, intense industry competition, susceptibility of profitability to the raw material price fluctuations and other inherent risks related to the marine products export business viz., regulatory risks, exchange fluctuations and changes in customer preferences.

Going forward, the ability of the company to stabilize and scale up its operations, strengthen its credit profile and manage its working capital efficiently would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes **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.

Analytical approach

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

Key Rating drivers

- **Experience of promoters**

The main promoter has more than a decade of experience in the marine food processing industry.

- **Geographical Advantage**

The company is located at West Godavari, Andhra Pradesh, which is recognised for sea foods exports. The favourable location near a major aquaculture belt reduces the risk of raw material availability.

- **Initial Stage of Operations**

The company is expected to commence commercial operations from February 2018. FY19 would be the first full year of operations and the company may face challenges in stabilising its operations.

- **Exposure to Intense competition in the seafood industry**

The seafood processing industry is highly fragmented, with intense competition from domestic players and other shrimp exporting nations, limiting margin expansion.

- **Susceptibility of operating margin to volatility in raw material prices**

AVRMPL's operating margins are subject to volatility in the raw material prices. As prices of raw material are fixed at the time of entering into the agreement with the end

customers, the company has only limited flexibility to pass the raw material price increases to its customers.

- Inherent risks in the seafood industry including susceptibility to diseases, climate change risks and government policies

About the Company

AVR Marines Pvt Ltd was incorporated in August 2015 at West Godavari, Andhra Pradesh. The company is engaged in prawn processing and export of frozen prawns to Abu Dhabi, Dubai and Kuwait. The company has a cold storage facility at West Godavari for the purpose of seafood processing and storage. Mr. Addala Venkata Raju and Mrs. Addala Susheela are the directors.

Financial Performance

The cost of the project for setting up the seafood processing and storage facility is Rs.13.67 Cr, funded by way of loans of Rs 6.86 Cr, promoters' funds of Rs. 5.46 Cr and unsecured loans of Rs.1.35 Cr. Presently the cost incurred is around Rs. 12.11 Cr. Commercial operations are expected to commence from February 2018 only.

Rating History for the last three years:

Sl. No.	Proposed Facility Rated	Current Rating (Year 2017)			Rating History		
		Type	Amount (Rs Cr)	Rating	2016	2015	2014
1	Cash Credit	Long term	9.00	BWR B+	Nil	Nil	Nil
2	Term Loan		6.00	(Outlook: Stable Assigned)			
3	Packing Credit	Short term	7.00	BWR A4 (Assigned)	Nil	Nil	Nil
Total			22.00	INR Twenty two Crores Only			

Status of non-cooperation with previous CRA: Not Applicable



Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria

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

Analytical Contacts	Media
<i>Rajee R</i> <i>General Manager – Ratings</i>	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

AVR Marines Pvt Ltd
Bank Facilities
Annexure I

Nature of all facilities			(Rs in Cr)
Bank Name *	Facility	Proposed Limits	Amount to be Rated
Proposed	Term Loan	6.00	6.00
	Cash Credit	9.00	9.00
	Packing Credit	7.00	7.00
Total (Twenty two Crores Only)			22.00 *

***Presently, APSFC, Rajahmundry has extended a term loan of Rs.6.00 Crs to the company, which is not rated by BWR.**

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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.



DISCLAIMER

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