



## RATING RATIONALE

30 Dec 2019

### Santhi Fisheries LLP

## Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 8.00 Crores of Santhi Fisheries LLP

### Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Dec 2018)	Present
Fund Based	8.00	8.00	Long Term	BWR BB (Stable)	BWR BB (Stable) (Reaffirmed)
<b>Total</b>	<b>8.00</b>	<b>8.00</b>	<b>INR Eight Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

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

### RATING ACTION / OUTLOOK

Brickwork Ratings has reaffirmed the long-term rating of BWR BB with Stable Outlook.

The rating reaffirmation has factored in the year on year revenue growth of the firm and an overall improvement of its financial health, apart from promoters' experience in aquaculture activities and their maintained relationship with customers and suppliers. The rating, however, is constrained by the firm's moderate net worth and its presence in highly competitive and fragmented business.

BWR believes that the business risk profile of Santhi Fisheries LLP 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 turnover and profitability of the firm shows sustained improvement. The rating outlook may be revised to 'Negative' if there is a decline in overall financial health of the firm.

### KEY RATING DRIVERS

BWR has principally relied upon the audited financial results up to FY19 of Santhi Fisheries LLP, publicly available information and information/clarification provided by the firm's management.

### **Credit Strengths:**

- Total operating income of the firm, which has grown from ₹63.33 Cr in FY17 to ₹78.18 Cr in FY18, has shown a growth of 17% from ₹78.18 Cr in FY18 to ₹91.75 Cr. Profit margins of the firm continues to improve with the operating profit margin improved from 3.55% in FY18 to 4.68% Cr in FY19 and net profit margin improved from 2.54% in FY18 to 3.65% in FY19. Return on capital employed (RoCE) is healthy at 30.63% in FY19.
- Gearing is comfortable with total outside liabilities to total net worth at 0.09 times in FY19. With improved net cash accruals to total debt from 0.25 times in FY18 to 0.81 times in FY19, the interest coverage ratio stands improved from 4.17 times in FY18 to 4.89 times in FY19.
- Promoters of the firm has around three decades of experience in the industry. With an established track record in the business, by virtue of its associate concern Ayshwarya Sea Foods Pvt. Ltd, the Company has maintained a long term relationship with its customers with no significant customer concentration risk and also enjoys long term relationships with suppliers.

### **Credit Risks:**

- The networth of the firm, though improved from ₹6.25 Cr in FY18, stands moderate at ₹8.45 Cr in FY19.
- Being present in an industry which is highly fragmented with the presence of large number of players in the unorganised segment, the firm faces intense competition resulting in limited pricing flexibility and bargaining power with customers.

### **ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA**

For arriving at its ratings, BWR has considered the standalone performance of Santhi Fisheries LLP 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 infuse funds and improve its networth along with managing its receivable days efficiently will be the key rating sensitivities.

**Positive:** The rating may be positively revised if the firm continues to sustain its revenue growth while maintaining a healthy overall financial profile.



**Negative:** The rating may be adversely affected if there is deterioration in capital structure and profitability margins of the firm.

### LIQUIDITY POSITION

The firm's liquidity position is adequate. The debt profile of the firm consists of working capital facilities, and with net cash accruals of ₹3.45 Cr, the net cash accruals to total debt stands satisfactory at 0.81 times in FY19. Average bank limit utilization stands at 50%. Current ratio stands comfortable at 17.28 times in FY19. The firm has a cash and cash equivalents of ₹0.63 Cr in FY19.

### PROFILE OF THE FIRM

Santhi Fisheries, located in Chennai (Tamil Nadu), was established in 2009 as a partnership firm and converted to LLP in 2019. The firm is an associate concern of Ayshwarya Sea Food Pvt Ltd and is engaged in shrimp feed distribution. Santhi Fisheries is promoted by Mr. D B Ravi Reddy & Mr. J S Ranganaayakulu. The promoters have around three decades of experience in aquaculture activities and long-standing contacts and relations in the market.

### KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Revenue	₹ Cr	78.18	91.75
EBITDA	₹ Cr	2.77	4.29
PAT	₹ Cr	1.99	3.35
Tangible Net worth	₹ Cr	6.25	8.45
Total Debt/Tangible Net worth	Times	1.34	0.51
Current Ratio	Times	2.18	17.28

**Key Covenants Of The Instrument/Facility Rated: Nil**

**Non-cooperation With Previous Rating Agency: None**

## RATING HISTORY

Facilities	Current Rating (2019)			Rating History		
	Tenure	Amount (₹ Cr)	Rating	16.12.2019	14.12.2018	24.09.2018
Fund Based	Long Term	8.00	<b>BWR BB Stable (Reaffirmed)</b>	Rating Not Reviewed	<b>BWR BB Stable</b>	Rating Not Reviewed
Total		8.00	INR Eight Crores Only			

*Note: The firm, rated in June 2017, was assigned long term rating of BWR BB- (Stable)*

## COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Services Sector](#)

Analytical Contacts	Investor and Media Relations
<p><b>G Rajaram</b> Analyst Board: +91 80 4040 9940 Ext: 344 <a href="mailto:rajaram.g@brickworkratings.com">rajaram.g@brickworkratings.com</a></p> <p><b>A P Kamath</b> Sr. Director – Ratings Board: +91 80 4040 9940 <a href="mailto:apkamath@brickworkratings.com">apkamath@brickworkratings.com</a></p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 <a href="mailto:liena.t@brickworkratings.com">liena.t@brickworkratings.com</a></p>



Santhi Fisheries

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Canara Bank	OCC/ODBD	8.00	-	8.00
3.		(Sublimit) For ODBD	(6.00)	-	(6.00)
4.		Sublimit (Advance to Suppliers)	(0.75)	-	(0.75)
TOTAL					8.00

**Total Rupees 8.00 Crores only**

**For print and digital media**

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**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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