



Rating Rationale

13 Aug 2020

Sona Fisheries

Brickwork Ratings downgrades long term rating and reaffirms the short term rating for the Bank Loan Facilities of ₹. 20.05 Crores of Sona Fisheries

Particulars

Facility**	Amount (₹ Cr)		Tenure	Previous Rating (February,2019)	Rating
	Previous	Present			
Fund Based Cash Credit Overdraft	3.33 6.67	3.33 6.67	Long Term	BWR B+ (Stable)	BWR B (Stable) (Downgrade)
Non Fund Based Bank Guarantee	10.05	10.05	Short Term	BWR A4	BWR A4 (Reaffirmed)
Total	20.05	20.05	INR Twenty Crores Five Lakhs only		

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

RATING ACTION / OUTLOOK

Brickwork Ratings downgrades the Long Term rating and reaffirms the short term rating as BWR B(Stable)/A4 for the Bank Loan Facilities of ₹ 20.05 crores of Sona Fisheries. BWR believes that Sona Fisheries. 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.

Key Rating Drivers

BWR has essentially relied upon the audited financial statements of Sona Fisheries of FY18,FY19 and provisionals of FY20, publicly available information and information / clarifications provided by the entity's management. The rating draws strength from the vast business experience of the promoters, locational advantage, coverage advantage. However, the rating is constrained by the decline in revenues, low net worth, stretched gearing, moderate financial risk, effects of Covid

Going forward, the ability of the entity to achieve projected revenue & profitability margins and manage liquidity would be key rating sensitivities

Description of Key Rating Drivers

- **Credit Strengths:**

Experience of the promoter- The promoters have more than 5 years of experience in this business.



Locational Advantage- Company has its business in Madhya Pradesh, which helps the company to acquire the fish from Dam on river Chambal which helps company to procure fish and curb the operational difficulties.

Coverage advantage- Sona Fisheries being at Central India has locational advantage and its sales area covers states like West Bengal, Assam, Delhi, Punjab, Madhya Pradesh.

- **Credit Risks:**

Decline in Revenues- The revenues of the Sona Fisheries standing at Rs. 37.22 crs in FY19, the revenues declined to Rs. 24.39crs in FY20 (Prov), the decline in FY20 is due to floods in Chambal river.

Low Networth - The TNW stands at Rs. 1.56 Cr in FY19 and Rs. 1.99crs in FY20 (Prov) as compared to Rs. 0.59crs in FY18 due to 1st year of operations. TNW analysed stands at Rs 3.48 cr in FY19 on account of the unsecured loans from friends and family.

Stretched gearing - The gearing is stretched as the total debt/ TNW stands at 9.27x in FY19 and 7.41x in FY20 (Prov) it improved as compared to 13.59x in FY18. TOL/TNW stand at 8.68x in FY19 and it increased from 5.79x in FY18.

Modest Financial Risk- SF has moderate profitability with the OPM and NPM standing at 7.77% and 2.61% in FY19. OPM seems to have improved from 5.37% in FY18 but NPM declined as compared from 3.34% in FY18. Moderate coverage ratios with the ISCR and DSCR standing at 1.95x and 1.96x respectively in FY19 and it declined as compared to 9.74x & 9.90x in FY18. Weak liquidity with the current ratio standing at 1.24x in FY19 as it declined from 3.54x in FY18 due to utilization of working capital limits. Gross current assets of Rs. 16.27 crs in FY19 comprises of 43.71% of the total sales, it is working capital stretched.

Effects of COVID-19 : There is a general decline in overall macroeconomic scenario and effects of COVID-19 on all sectors. Given the current lockdown, the country's economic activities have come to an almost standstill. The broad picture regarding fallout of the pandemic is yet to emerge. The company's operations were put on hold by the Fish Federation from 25th March to 11th May 2020, amidst pandemic to curb further spread.

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 Sensitivities

Going forward the company's ability to improve the scale of operations, improve and maintain profitability, the debt servicing capability & liquidity will be the key rating sensitivities.



Positive: The rating will be upgraded if the company is able to achieve significant growth in revenue and improvement in profitability backed by a favourable industry scenario.

Negative: The rating may be downgraded if there is lower than expected revenues affecting the profitability margins, coverage ratios, liquidity and gearing ratios adversely

About the Company.

Sona Fisheries is a partnership firm registered on 12 December 2017. Sona Fisheries is engaged in fish trading activities and mainly deals in freshwater fish segment namely, Rohu and Katla. Sona Fisheries has three partners namely: Prabhtej Singh Bhatia, Sukhpreet Kaur Bhatia, Gulbir Singh Bhatia. The main business of the tender is to procure fish from the dam and sell it in open markets. More than 300 Fishermen in approx. It is also involved in cultivation of fish or more commonly called fish farming (pisciculture). The major product of the company is Catla Fish. Fish is Collected at 13 Landing centers.

Liquidity Position: Stretched

The entity has stretched its liquidity position with current ratio standing at 1.24x in FY19 as it declined from 3.54x in FY18, further it remains low in FY 20(Prov) at 1.25x. The cash and cash equivalents stand at Rs. 0.15crs in FY19 as compared to Rs. 0.82crs in FY18. Net cash accruals of Rs 1.48cr in FY19 with a repayment obligation of Rs 0.39crs. The coverage ratios as reflected by ISCR & DSCR stand at 1.95X & 1.96X in FY19.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 19	FY18
Result Type		Audited	Audited
Total Operating Income	(in ₹ Cr)	37.22	11.41
EBITDA	(in ₹ Cr)	2.89	0.61
PAT	(in ₹ Cr)	0.97	0.38
Tangible Net Worth	(in ₹ Cr)	1.56	0.59
Total debt/ Tangible Net Worth	Times	9.27	13.59
Current ratio	Times	1.24	3.54

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

Facilities	Current Rating			Rating History				
	Tenure	Amount (₹ Cr)	Rating	2019		2018	2017	
Fund Based	Long Term	10.00	BWR B (Stable) (Downgraded)	Long Term	10.00	BWR B+ (Stable)	-	-
Non Fund Based	Short Term	10.05	BWR A4 (Reaffirmed)	Short term	10.05	BWR A4	-	-
Total		20.05	INR Twenty Crores and Five Lakhs Only					

Status of non-cooperation with previous CRA (if applicable)- NA

Hyperlink/Reference to applicable Criteria

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

Analytical Contacts	Media
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Sona Fisheries

Annexure-I

Name of the Bank	Facility	Tenure	Amount (₹ Crores)
Punjab National Bank Indore, MPBH branch, PHADNIS COLONY, INDORE MADHYA PRADESH Pincode - 452001	Cash Credit	Long Term	3.33
	Overdraft		6.67
	Bank Guarantee	Short term	10.05
Total	INR Twenty Crores Five Lakhs		20.05