



## Rating Rationale

Arya Sea Foods Pvt. Ltd.

20Aug2019

**Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 33.00 Crores of Arya Sea Foods Pvt. Ltd. (ASFPL or 'the company').**

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Jul, 2018)	Present
<b>Fund based</b>			<b>Short Term</b>	<b>BWR A4</b> <i>(Pronounced as BWR A Four)</i>	<b>BWR A4+</b> <i>(Pronounced as BWR A Four Plus)</i> <b>[Upgraded]</b>
Bill Discounting (DB)	<b>12.50</b>	<b>13.00</b>			
Export Packing Credit(EPC)	<b>15.00</b>	<b>19.00</b>			
EPC(Sublimit under DB)	<b>(5.00)</b>	<b>(5.00)</b>			
<b>Non Fund Based</b>					
Bank Guarantee (BG)	<b>0.50</b>	<b>1.00</b>			
SBLC(Sublimit under BG)	<b>(0.33)</b>	<b>(1.00)</b>			
<b>Total</b>	<b>28.00</b>	<b>33.00</b>	<b>INR Thirty Three Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

### Ratings: Upgraded

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has primarily relied upon the audited financials up-to FY18, projected financials upto FY21, publicly available information and the information/clarifications provided by the management.

The upgradation of the rating has factored the improvement under few financial parameters of the company. The ratings also factored the strength from the experience of the promoters, substantially increase in revenue on Y-o-Y basis, improved net-worth, moderate interest coverage ratio and favourable location of the plant giving it easy access to raw materials. However, the ratings are constrained by high leverage, susceptibility of profitability to volatility in shrimp prices, exposure to forex fluctuations, intense competition in the market and working capital intensive nature of operations.



## Description of Key Rating Drivers

### Credit Strengths:

- Extensive experience of the management in their line of business
- Since, the company is in its growing stage and it started its commercial operations in 2016, there is a massive increase in the total operating income of the company from Rs. 14.06 Crs in FY16 to Rs.82.71 Crs in FY17 and further increased to Rs.136.37 Crs in FY18
- Improved tangible net-worth from Rs. 6.81 Crs in FY17 to Rs.7.09 Crs in FY18
- Interest service coverage ratio is moderate at 1.42x in FY18 showing adequate interest repayment capacity of the company
- ASFPL's shrimp processing unit is located closely to shrimp culturing districts of West Godavari(Dt.), Andhra Pradesh, thereby benefits of lower logistics costs and easy availability

### Credit Risks:

- High leverage indicated by total debt/equity at 4.54 times in FY18
- Seafood industry's profitability margins are highly correlated with fluctuations in shrimp prices and are susceptible to various risks like perishability, need for high adherence to quality, exchange rates, availability during a particular period, etc. The seafood industry is fragmented and there is significant competition among the players in the industry; as a result, their bargaining power is moderate
- Profitability is exposed to forex rates as around 100% of revenue is derived from exports.
- The industry is characterized by low entry barriers and intense competition from unorganized players. Volatility in feed prices, diseases, climatic vagaries, lack of quality seeds and feed affect supply of seafood

Going forward, the ability of the company to further increase its scale of operations by improving its profitability margins, strengths its liquidity, manage its supply chain and efficiently manage its working capital will be the key rating sensitivities.

**Liquidity profile:** The company has low liquidity profile, driven by current ratio of 1.01 times in FY18.

### 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 the **Arya Sea Foods Pvt Ltd** 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

Arya Sea Foods Private Limited, incorporated in Aug 2014 and registered office located at Visakhapatnam, Andhra Pradesh. The company is engaged in processing of Shrimp at Cheruvu Village, Veerasayaram Mandal, West Godavari(Dt.), Andhra Pradesh. Commercial operations of the company commenced from Jan 2016 onwards. The Company product list includes IQF Frozen Shrimp, Block Frozen Shrimp, peeled and Deveined Shrimp, Peeled and undeveined Shrimp, Ribbon Fist, etc. Company is exporting its products to Vietnam, USA & European Countries.

### Company Financial Performance

The company has reported a total operating income of Rs.136.37 Crores in FY18 and Rs.82.71 Crores in FY17. Operating and net profit margins reported at 3.73% and 0.21% in FY18 as against 7.32% and 0.24% in FY17. Tangible net-worth stood at Rs.7.09 Crs in FY18. As informed by the management, revenue achieved for FY19 is Rs. 122.50 Crs.

### Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	16.7.2018	8.6.2017	28.6.2016
1	Fund Based	Short Term	32.00	<b>BWR A4+</b> <i>(Pronounced as BWR A Four Plus)</i> <b>[Upgraded]</b>	<b>BWR A4</b> <i>(Pronounced as BWR A Four)</i>		
2	Non Fund Based		1.00				
<b>Total</b>			<b>33.00</b>	<b>₹ Thirty Three Crores Only</b>			

Status of non-cooperation with previous CRA- Nil;

Any other information - Nil

### Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Total Operating Revenue	Rs In Crores	136.37	82.71
EBITDA	Rs In Crores	5.09	6.05
PAT	Rs In Crores	0.29	0.20
Tangible Net worth	Rs In Crores	7.09	6.81
Total Debt/Tangible Net worth	In Times	4.54	6.17
Current Ratio	In Times	1.01	1.00



**Annexure - I**  
**Bankwise Facilities**

<b>Name of the Bank</b>	<b>Facilities</b>	<b>Tenure</b>	<b>Previous Amount (In Crs)</b>	<b>Present Amount (In Crs)</b>
Andhra Bank	Bill Discounting (DB)	Short Term	12.50	13.00
	Export Packing Credit(EPC)		15.00	19.00
	EPC(Sublimit under DB)		(5.00)	(5.00)
	Bank Guarantee (BG)		0.50	1.00
	SBLC(Sublimit under BG)		(0.33)	(1.00)
<b>Total</b>			<b>28.00</b>	<b>33.00</b>

**Hyperlink/Reference to applicable Criteria**

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

**For any other criteria obtain hyperlinks from website**

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

### **About Brickwork Ratings**

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