

Akshay Food Impex Private Limited

March 02, 2021

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term/Short-term Bank Facilities	0.00	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable / A Four; ISSUER NOT COOPERATING*) and Withdrawn
Long-term Bank Facilities	0.00	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE BB-; Stable; ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable; ISSUER NOT COOPERATING*) and Withdrawn
Total Facilities	-		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has withdrawn the outstanding ratings of 'CARE BB-; Stable; Issuer Not Cooperating/CARE A4; Issuer Not Cooperating' [Double B Minus; Outlook: Stable; Issuer Not Cooperating/ A Four; Issuer Not Cooperating] assigned to the bank facilities of Akshay Food Impex Private Limited (AFPL) with immediate effect. The above action has been taken at the request of Akshay Food Impex Private Limited and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.

The ratings factor in leveraged capital structure, working capital intensive nature of operations, thin profitability, moderate geographical concentration risk, exposure to regulations and inherent risk associated with the sea food industry. The ratings also take cognizance of experienced promoters, improving operational performance and satisfactory operating income during FY19 (refers to the period April 1 to March 31), successful completion of capex for setting-up of own processing plant, accredited manufacturing facility from various authorities, presence of unit in proximity to raw material sources and robust industry growth prospects.

Detailed description of the key rating drivers

At the time of last rating on March 06, 2020, the following were the rating strengths and weaknesses:

Key rating weakness:

Moderate geographical concentration risk: AFPL is 100% export oriented unit. USA is the major export destination for the company accounting for around 50% of the sales in FY18 exposing the company to geographical concentration risk. Apart from the USA, company exports shrimps to Europe (15%), Middle East (20%) and other Asian countries (20%). The company has diversified customer base albeit concentrated with top ten clients comprising ~67% of the total operating income during FY18.

Leveraged capital structure: The company has a leverage capital structure with recently concluded debt funded project. Hence, the overall gearing ratio remains weak at 1.45x as on March 31, 2019, although improved from 2.90x as on Mar.31, 2018. The other coverage indicator, PBILDT interest coverage ratio, marginally improved from 2.52x in FY18 to 2.80x in FY19 on account of improvement in PBILDT level from Rs.5.31 crore during FY18 to Rs.9.93 crore during FY19.

High reliance on bank borrowings on account of stretched liquidity: The company operates in a working capital intensive industry wherein the working capital requirement is generally high. As per industry norms, the creditors' period allowed to the company is low, as the farmers are generally paid between 7-10 days vis-à-vis relatively high collection period which results in stretched liquidity leading to high reliance on working capital borrowings. The average working capital utilization for the 12 months ended November, 2018 was around 99.97% and current ratio at 1.03x as on March 31, 2018.

Seasonal nature of raw material availability and diseases prone with high dependence on climatic conditions: There are a variety of lethal viral and bacterial diseases that affect shrimp. A major transfer vector of many of these viruses is the water itself; and thus any virus outbreak also carries the danger of decimating shrimp living in the wild. Hence, taking care of farmed shrimp is important. In addition, the operations of AFPL are prone to risks arising on account of changes in climatic condition. Nevertheless, the procurement of raw material for AFPL is spread across different geographies of the country (Andhra Pradesh, Odisha, West Bengal, Tamil Nadu, Gujarat etc.) thereby mitigating raw material availability for the company.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

Strong industry growth prospect albeit intense competition and regulatory restrictions: Export of marine products from India reached an all-time high. All the major shrimp farming states in the country have increased their production in the last 2 years with Andhra Pradesh being the largest producer. Frozen shrimp continued to be the major export item in the export basket in terms of quantity and value. While there exist high growth opportunities, the industry is subject to regulatory changes made by Govt. of India (viz. changes in export incentive, export restrictions, etc.) as well as importing countries. Furthermore, the Indian shrimp exports industry is highly fragmented given the low entry barriers and significant competition in the export market from other competing countries and threat from other sea food varieties.

Key rating strengths:

Experienced promoters and management team: Akshay Food Impex Private Limited is promoted by Mr V. Pardhasaradhi and Mrs N. Aparna Devi. Mr V. Pardhasaradhi is a science graduate with specialization in Fisheries and has an experience of more than a decade. While Mr V. Pardhasaradhi handles administration of the company, Mrs N. Aparna Devi handles marketing and exports. The promoters are guided by qualified professionals possessing rich experience in their respective fields of activities.

Successful completion of capex: The company has successfully completed construction of its own processing plant in Pamarru Village, Krishna District, Andhra Pradesh by incurring a capex of Rs.21.08 crore, funded through term loan of Rs.15.00 crore and balance from the from business accruals. The company had been initially operating on a leased premises. The company will derive benefit in terms of improving its revenue and profitability from the processing unit that has been set up, going forward.

Accredited manufacturing facility from various authorities and locational advantage: The manufacturing facilities of AFPL are compliant with international standards for seafood products. AFPL's processing plant is located in the prime aquaculture zone by the coast line of Andhra Pradesh, which enables the company to procure raw materials and process them immediately after harvest. This results in better quality product as well as lower transportation cost.

Satisfactory total operating income and profitability margin: The total operating income remained stable around Rs.170 crore in FY19 while PBILDT level almost doubled from Rs.5.31 crore in FY18 to Rs.9.93 crore during FY19. Profit margin has also been at satisfactory level.

Analytical approach: Standalone

Applicable Criteria

[Policy on Withdrawal of ratings](#)

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Manufacturing Companies](#)

[Criteria for Short Term Instruments](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Akshay Food Impex Private Limited (AFPL) incorporated during the year 2013 has been promoted by Mr V. Pardha Saradhi and Ms N. Aparna Devi. The company is engaged in processing and exports of Vannamei shrimps. The company initially commenced its operations on a leased premises belonging to M/s Bluepark Seafoods Private Limited for an annual processing capacity of 2,880 MT (out of BSPL's installed capacity of 7,500 MT/annum). During April 2018, the company set up its own processing unit with an installed capacity of 6,250 MT/annum by incurring a capex of Rs.21.08 crore. The company exports Vannamei shrimps primarily to the U.S.A, Europe, Middle East and other Asian countries.

AFPL has its own laboratory for microbiological & anti-biotic analysis which are compliant with international standards maintained by USFDA and European Union (EU) for seafood products.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	171.78	173.84
PBILDT	5.31	9.93
PAT	1.92	6.47
Overall gearing (times)	2.90	1.45
Interest coverage (times)	2.52	2.80

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument/facility: Detailed explanation of covenants of the rated instrument/facilities is given in Annexure-3

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	-	0.00	Withdrawn at CARE BB-; Stable; ISSUER NOT COOPERATING
Fund-based - LT-EPC/PSC	-	-	-	-	0.00	Withdrawn at CARE BB-; Stable; ISSUER NOT COOPERATING
Fund-based - LT/ ST- Bills discounting/ Bills purchasing	-	-	-	-	0.00	Withdrawn at CARE BB-; Stable/CARE A4; ISSUER NOT COOPERATING

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (06-Mar-20)	1)CARE BB; Stable (07-Jan-19)	-
2.	Fund-based - LT-EPC/PSC	LT	-	-	-	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (06-Mar-20)	1)CARE BB; Stable (07-Jan-19)	-
3.	Fund-based - LT/ ST- Bills discounting/ Bills purchasing	LT/ ST	-	-	-	1)CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING* (06-Mar-20)	1)CARE BB; Stable / CARE A4 (07-Jan-19)	-

Annexure-3: Detailed explanation of covenants of the rated instrument/facilities – NA**Annexure-4: Complexity level of various instruments rated for this Company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-EPC/PSC	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Fund-based - LT/ ST-Bills discounting/ Bills purchasing	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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