

Cochin Frozen Foods

March 02, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Short Term Bank Facilities	8.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	8.00 (Rs. Eight Crore Only)		

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Cochin Frozen Foods (CFF) to monitor the rating vide e-mail communications dated November 15, 2021, December 06, 2021 & February 03, 2022 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the rating. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at fair rating. The rating on CFF facilities will now be denoted as 'CARE A4 ISSUER NOT COOPERATING*'

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating takes into account the non-availability of requisite information due to non-cooperation by CFF with CARE's efforts to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile. The ratings assigned to the bank facilities of Cochin Frozen Foods (CFF) is constrained by the firm's small scale of operations, volatile profit margins, leveraged capital structure and high regulatory risk in the sea food industry. The ratings draw strength from the experience of the promoters, established relationship with the clients and locational advantage of the group's plant.

Detailed description of the key rating drivers:

At the time of last rating on March 25, 2021 the following were the rating strengths and weaknesses.

Key Rating Weaknesses:

Small scale of operations and leveraged capital structure

The TOI of the firm decline from Rs.13.98 crore in FY19 to Rs.7.69 crore in FY20. The company was unable to sell most of their inventory in the last week of March 2020 owing to the COVID19 pandemic and the lockdown that followed. Further, during FY20, in the quality checks in US few of the containers were rejected which led to lower orders from some of the US clients. The capital structure of the firm, marked by overall gearing was leveraged as on March 31, 2020 standing at 1.90x as against 1.87x as on March 31, 2019.

Presence in the seafood Industry with regulatory risk and exposure to foreign currency fluctuations

The seafood market is characterized by uncertainty, which is more pronounced in supply side than from demand side. Seafood is a depleting commodity and increased severity of regulations on excessive fishing has rendered supply more irregular. Thus, the governments around the world regularly put up new regulations regarding International trade of seafood. The group exports its entire products and hence it is susceptible to the fluctuations in foreign exchange fluctuation. The group has exposure to both European and U.S markets.

Key Rating Strengths:

Experienced Promoters

The promoters, Mr K. Prabhakaran and his son, Mr K.G. Sarasakumar have been involved in the seafood business for more than 40 years. The day to day operations of the group is presently being managed by Mr P. Dinesh, who is the Joint Managing Director and CEO of Cochin Frozen Food Exports Pvt Ltd.

Established relationship with clients

The firm normally exports to clients in USA, Europe, Japan, China & Middle East and has a relationship of more than a decade with most of the clients in U.S.A and Europe. CFFEPL has agents in Kerala, Tamil Nadu and Andhra to procure marine products and places orders with these agents on a requirement basis and has three leased cold storage warehouses in Kerala.

Locational Advantages for the company's plant

The CFF plant is located at Aroor Kochi that has the capacity to clean, process, defreeze and pack the seafood at its single site. It also has adequate cold-storage capacity to manage stock levels. The presence of the plant in a coastal region which has

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

proximity to raw material location enables the group to procure its raw materials and process them immediately after the harvest season. The plant is about 15 Km from Cochin Port from where most of the exports are made.

Liquidity: Poor

Poor liquidity marked by lower accruals when compared to repayment obligations, fully utilized bank limits and modest cash balance. This could constrain the ability of the company to repay its debt obligations on a timely basis.

Analytical approach: Standalone

Applicable Criteria

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

[Policy on default recognition](#)

[Financial Ratios – Non-financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the Firm

Cochin Frozen Foods (CFF) is engaged in processing and exporting of seafood, primarily prawn and fish varieties with its corporate base in Aroor, 15 kms to the south of Cochin. The firm is promoted by Mr. K. Prabhakaran who in the field of seafood exporting from the year 1974. CFF normally exports its entire produce to the major markets of USA, Vietnam, Europe, Japan, China and the Middle East. The total processing capacity of the group is 40 tones per day.

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	31-03-2021	H1FY22
Total operating income	13.97	7.69	NA	NA
PBILDT	1.03	0.84	NA	NA
PAT	0.11	0.08	NA	NA
Overall gearing (times)	1.87	1.90	NA	NA
Interest coverage (times)	1.23	1.18	NA	NA

A: Audited – NA; Not available

Status of non-cooperation with previous CRA: CRISIL reviewed and revised the ratings of CFF and continued to place the same under Issuer non-cooperation category vide PR dated January 20, 2021.

Any other information: NIL

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

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

Complexity level of various instruments rated for this company: Annexure 4

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 - ST-Packing Credit in Indian rupee		-	-	-	4.50	CARE A4; ISSUER NOT COOPERATING*
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	3.50	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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - ST-Packing Credit in Indian rupee	ST	4.50	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (25-Mar-21) 2)CARE A4 (24-Apr-20)	1)CARE A4 (04-Oct-19)	-
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	3.50	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (25-Mar-21) 2)CARE A4 (24-Apr-20)	1)CARE A4 (04-Oct-19)	-

* Long Term / Short Term

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 instrument	Complexity level
1	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple
2	Fund-based - ST-Packing Credit in Indian rupee	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

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

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