

## Pesca Marine Products Private Limited

October 04, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	6.95	CARE BBB-; Stable (Triple B Minus; Outlook: Stable)	Reaffirmed
Long Term / Short Term Bank Facilities	25.00	CARE BBB-; Stable / CARE A3 (Triple B Minus; Outlook: Stable/ A Three)	Revised from CARE A3 (A Three)
<b>Total Bank Facilities</b>	<b>31.95</b> <b>(₹ Thirty-One Crore and Ninety-Five Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

For arriving at the ratings of Pesca Marine Products Private Limited (PMPPL), CARE has taken a combined analytical view of PMPPL and its group entities- Amarsagar Seafoods Private Limited (ASPL; rated CARE BBB-; Stable/ CARE A3) and Amar Food Products (AFP; rated CARE BBB-; Stable/ CARE A3), together referred to as Amarsagar Group (ASG), on account of their common promoter group, presence in similar line of business and financial as well as operational linkages.

The ratings assigned to the bank facilities of ASG continue to derive strength from the experience of its promoters in seafood processing industry, certifications in place for export of marine products and locational advantage being situated in marine product procurement area. The ratings also factor in ASG's moderate scale of operations as well as profitability, moderate capital structure and debt coverage indicators and adequate liquidity.

The ratings, however, continue to remain constrained by presence of ASG in a highly competitive and regulated seafood processing industry coupled with seasonality associated with its business, client concentration risk and susceptibility of its profitability to foreign exchange rate fluctuation.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Volume driven growth in scale of operations with a total operating income of over Rs.500 crore along with improvement in PBILDT margin above 7% on a sustained basis
- Improvement in capital structure with overall gearing below 0.75x on sustained basis
- Reduced reliance on external borrowings for funding working capital requirements resulting in improvement in liquidity profile

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Significant decline in scale of operations or decline in PBILDT margin below 4.50% on a sustained basis
- Any large sized debt-funded capex or significant increase in working capital requirements, adversely affecting the capital structure with overall gearing exceeding 1.50x or adversely impacting the liquidity profile of the company.

### Detailed description of the key rating drivers

#### Key rating strengths

**Experienced promoters in seafood processing industry:** ASG is promoted by Panjiri family, led by Mr. Ramkumar Babulal Panjari and Mr. Rajesh Babulal Panjari. The promoters have an extensive experience of more than two decades in marine products and seafood processing industry. The promoters are also engaged in other related business through group entity, viz., Amar Polyfils Pvt. Ltd. (APPL). APPL is engaged in manufacturing of nylon yarn, fishnet, rope and sterilized fishmeal.

Further, the promoters have also demonstrated their support to the group by way of infusion of equity & unsecured loans for various operational and financial requirements of these entities. As on March 31, 2022, the outstanding amount of unsecured loans stood at Rs.2.68 crore (Rs.2.68 crore as on March 31, 2021).

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Certification in place for export of marine products:** Processing units of all the three entities are certified by Marine Product Export Development Authority (MPEDA), United States Food and Drug Administration (USFDA), Export Inspection Council of India (EICI) and products of ASPL & PMPPL hold a British Retail Consortium (BRC) certification. BRC certification allows ASPL & PMPPL to sell its ready-to-eat products directly in the European supermarkets and malls. ASPL & PMPPL sell their products under the brand name 'Diamond' whereas AFP's products are marketed under the brand name 'Flamingo'.

**Proximity to marine products procurement area:** Processing plants of all the three entities of ASG are located at Porbandar in Gujarat which is on the west coastline of India resulting in abundant supply of variety of sea products including Indian Mackerel, Ribbon Fish, King Fish, Squids, Cuttle Fish, Shrimps and Pink Perch. ASG purchases raw material from various nearby places including Vanakbara, Mangrol, Veraval, Dwarka, Okha and Jakhau and processes the same for exports.

**Moderate scale of operations and profitability:** ASG operates on a moderate scale with total operating income (TOI) of Rs.379.57 crore registered in FY22. TOI of the group registered a healthy growth of 27% y-o-y in FY22 driven by higher export demand resulting in improvement in both, sales volume as well as sales realisation of its products.

ASG under ASPL had set-up Oceanblue Hatcheries for shrimp farming in FY17. However, contribution of hatchery in ASPL's overall sales remained low with no major operations in the same in FY22.

ASG's operating profit (PBILDT) margin remained moderate at 5.97% (P.Y.: 6.14%) in FY22 with limited value addition in the processing of seafood. With stable interest cost and depreciation, PAT margin stood at 2.87% (P.Y.:2.99%) in FY22.

**Moderate capital structure and debt coverage indicators:** As on March 31, 2022, capital structure of ASG was moderate with overall gearing of 0.83x (P.Y.:1.03x) with reliance on both term debt and working capital borrowings. The group is undertaking a debt-funded capex of ~Rs.33 crore in AFP for setting up a crab stick manufacturing unit as well as expansion of present processing capacity. The term loan for this capex has been sanctioned and capital structure of ASG, factoring in this, is expected to continue to remain moderate going forward. Furthermore, partners infused Rs.7.70 crore in AFP in FY22 to fund this capex. Timely completion of this capex within envisaged time and cost parameters shall be crucial for ASG's prospects. Further, debt coverage indicators of the group were moderate with PBILDT/ Interest coverage of 6.39x (P.Y.:5.46x) and TD/GCA of 3.89x (P.Y.:3.89x) in FY22.

#### Key rating weaknesses

**Presence in highly competitive and regulated seafood processing industry:** The seafood market is characterized by uncertainty in supply. Excessive fishing coupled with increased severity of regulations has rendered supply irregular. ASG procures its raw material requirement primarily from coastal zone in Gujarat, which exposes it to risks of regional concentration. Besides, fish procurement is seasonal, with the fishing season lasting from September to May; hence these entities have to keep adequate stock for exports during the offseason. Apart from severity of regulations, adverse seasonal conditions, lack of quality input and feed and diseases continue to pose risk to the seafood industry. Further, as these products are used as food, there are also restrictions imposed by the customers for quality and area of procurement. Also, due to less technological intensity of the industry, the entry barriers are also low. As a result, these entities need to compete with many small players in the region, limiting its operating profitability. Even in the export markets, Indian seafood manufacturers face stiff competition from China and many South-East Asian nations.

Thus, these entities remain vulnerable to competitive pressures and regulations inherent in this industry.

**Susceptibility of profitability to foreign exchange rate fluctuation:** Majority of ASG's income (~89% in FY22) is from exports, which exposes its operating profitability to adverse movement in forex rates as it would be difficult to pass on any adverse movement to its suppliers, which are largely unorganized sea farmers. Absence of any natural hedge also provides it with no avenue to mitigate the risk. While ASG hedges its foreign exchange exposure through forward contracts based on market situations, it follows no definite strategy for mitigating the foreign exchange risk.

**Client concentration risk:** ASG had a concentrated customer profile with top 5 customers on combined basis, contributed ~69% of ASG's net sales in FY22. High customer concentration may make ASG exposed to the risks of revenue loss / low profitability if it loses its large customers or if there is slowdown in off-take by these customers. However, ASG has established long-term relationship with its customers, mitigating the concentration risk to a certain extent. Also, given that products of the group are generally used as food items, the slowdown would largely be gradual and new customer could be added within a short time, given established presence of the group of over two decades in the industry and its approval by various recognized agencies.

### Liquidity: Adequate

The liquidity of the group is adequate with sufficient cushion in envisaged cash accrual generation vis-à-vis debt repayment obligations, moderate operating cycle and healthy cash flow from operations of Rs.15 crore in FY22.

ASG had moderate operating cycle of ~50 days in FY22. The group has to maintain inventory of ~80 to 110 days due to seasonality associated with seafood availability as well as extend credit period of 30-45 days to its customers against which it receives sizeable credit period from its suppliers. Average utilization of fund-based facilities (ASPL+PMPPL) remained high at 90% in the trailing 12 months ended March 2022. For AFP, Fund based limits were sanctioned in April, 2022. The group had cash flow from operations of Rs.15 crore and free cash & bank balance of Rs.27.60 crore as on March 31, 2022. However, some portion of this is expected to be utilized towards its capex requirement.

During FY22, ASG availed guaranteed emergency covid line, under RBI's Covid relief measure. The term loan repayments are in the range of Rs.5-8 crore over the next three years, which is expected to be met comfortably from its envisaged cash accrual generation.

### Analytical approach: Combined

CARE Ratings Ltd (CARE) has taken combined approach of PMPPL, ASPL and AFP (together referred to as Amarsagar Group), since all three entities are engaged in same line of business i.e. seafood processing with common promoter group and financial as well as operational linkages.

### Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

### About the company

PMPPL was incorporated in 1994 and is promoted by Mr. Ramkumar Babulal Panjari and Mr. Rajesh Babulal Panjari along with their family members. PMPPL is engaged in processing of marine products, which includes cephalopods (such as cuttlefish, squid, and octopus), crustaceans (including lobster, shrimp and crab), fish varieties (such as pomfret, ribbon and king) and surimi (fish paste) and exports its products under the brand name 'Diamond'. PMPPL has a processing and storage facility located at Porbandar (Gujarat) with total installed capacity of 9,600 metric tonne per annum (MTPA) as on March 31, 2022.

Porbandar (Gujarat) based ASG is engaged in processing and export of seafood to destinations such as Japan, USA, Malaysia, South Korea, and parts of Europe. The group is engaged in processing of marine products, which includes cephalopods (such as cuttlefish, squid, and octopus), crustaceans (including lobster, shrimp and crab), fish varieties (such as pomfret, ribbon and king) and surimi (fish paste) among others. The group had combined processing and storage capacity of 34,800 MTPA as on March 31, 2022. The products of ASG are sold under the brand name of 'Diamond' and 'Flamingo'.

Brief Financials- ASG combined* (Rs. crore)	31-03-2021 (A)	31-03-2022 (P)	Q1FY23(P)
Total operating income	297.79	379.57	NA
PBILDT	18.29	22.67	NA
PAT	8.91	10.90	NA
Overall gearing (times)	1.03	0.83	NA
Interest coverage (times)	5.46	6.39	NA

A: Audited; P: Provisional; NA: Not Available \*financials of ASG combined on line-by-line basis

Brief Financials- PMPPL Standalone (Rs. crore)	31-03-2021 (A)	31-03-2022 (P)	Q1FY23(P)
Total operating income	80.10	104.70	30.25
PBILDT	3.74	5.80	NA
PAT	2.18	2.91	1.21
Overall gearing (times)	1.03	1.07	NA
Interest coverage (times)	3.68	3.64	NA

A: Audited; P: Provisional; NA: Not Available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** 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 (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Working capital Term Loan		-	-	February, 2027	6.95	CARE BBB-; Stable
Fund-based - LT/ ST-CC/PC/Bill Discounting		-	-	-	25.00	CARE BBB-; Stable / CARE A3

#### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Working capital Term Loan	LT	6.95	CARE BBB-; Stable	1)CARE BBB-; Stable (05-Jul-22)	-	-	-
2	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST*	25.00	CARE BBB-; Stable / CARE A3	1)CARE A3 (05-Jul-22)	-	-	-

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not Applicable

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

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Working capital Term Loan	Simple
2	Fund-based - LT/ ST-CC/PC/Bill Discounting	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 instruments:** CARE Ratings 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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### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

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