

Hyson Exports Private Limited

October 04, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	8.73 (Reduced from 10.31)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	69.65 (Enhanced from 42.65)	CARE A4+ (A Four Plus)	Reaffirmed
Total Bank Facilities	78.38 (₹ Seventy-Eight Crore and Thirty-Eight Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of Hyson Exports Private Limited (HEPL) continue to be constrained by the company's leveraged capital structure, low profitability margins with exposure to raw material price volatility and foreign currency fluctuations, and presence in highly competitive seafood industry with inherent risk of exposure to water borne diseases. The ratings, however, derive strength from the vast experience of the promoters, locational advantage of the plant with presence in aquaculture zone and accredited processing facilities.

Rating sensitivities

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

- Consistent improvement in scale of operations above Rs.200 crore with stable profitability margins above the range of 5- 6%
- Sustained improvement in overall gearing below 1.5x

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

- Decline in operating margins below 2% on a consistent basis
- Any major capex plan leading to deterioration in capital structure above 3.5x

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest scale of operations

The scale of operations of the group have been modest in the range of Rs. 100-175 crore over the last three years. Nevertheless, there has been a growth in the FY22 reaching the pre-covid levels. In FY22, the firm has reported an increase of 65% on its operating income by achieving a TOI of Rs.174 crore resulting from an increase in the sales volumes and realizations.

Leveraged capital structure and weak debt coverage indicators

The capital structure of the company, marked by overall gearing improved and stood at 1.66x as on March 31, 2022, as against 1.90x as on March 31, 2021. As on March 31, 2022, the company had unsecured loans worth Rs.0.50 crore from the promoters with Rs.9.80 crore is subordinated with the bank (Axis Bank). The debt coverage indicators also deteriorated and stood weak with interest coverage ratio of the company stood at 2.83x during FY22 (PY: 1.11X) and the total debt to GCA stood at 8.06x (PY: 164.79x) as on March 31, 2022.

Exposure to volatile raw material prices and foreign currency fluctuations.

The PBILDT margin of the company remains volatile because of the volatility in the end product prices which are exposed to international market demand supply dynamics. The company has to depend on shrimp farmers as such have little control over the procurement price. The price demanded by the shrimp farmers varies depending on the availability and demand. This often leads to volatile procurement price and hence the profitability margins of the company are affected. Further, since the company is entirely dependent on exports, it is inherently exposed to foreign currency fluctuations. The company has a policy of hedging case to case basis.

Highly competitive industry and exposure to water borne diseases

The seafood industry is exposed to intense competition as there are several small and large players. The players also face intense competition from south-east Asian exporters impacting the realizations. The players are not able to always pass on the price rise in entirety to its customers due to heavy competition from peer players. This puts pressure on the margins of the group tendering them low. Further, there are varieties of lethal viral and bacterial

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

diseases that may affect shrimp. The fact that the shrimps are kept in clusters, acts as an exponential factor in multiplying the disease caught by a single shrimp and may wipe out almost 90% of total shrimp population in a particular farm. 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.

Key Rating Strengths

Experienced Promoters in seafood Industry

The promoters, Mr. P.P. Fasalu and his son Mr. Mohamed Shafee Fasalu have been involved in the seafood business for more than 10 years. The day-to-day activities of the company are managed by Mr. P.M. Abdutty who is a full time resident director. He has more than 30 years' experience in supervisory and managerial level in India and abroad.

Accredited processing facilities

The company has its own land, factory, freezing plant, cold storage as part of its infrastructure and production facilities at Mambattu, Andhra Pradesh. The factory is certified by HACCP, ISO 22000, BAP-1 and BRC which are required by the European Union, Canada & USA for importing Shrimps into those markets. The company is also planning to obtain BAP 2, 3 & 4 certification & ASC certification which is most sought after by the US, European Union and Canada markets.

Locational advantages of the company's plant with presence in aquaculture zone

The plant is located at Mambattu having close proximity to West and East Godavari regions which are recognized as a major source for cultured Vannamei in India. The nearest town, Sullurpeta is only 12 km away from the plant and well connected to major cities like Hyderabad, Vijayawada and port cities like Vishakhapatnam and Chennai both by road as well as rail network. This facilitates transportation of the finished goods through containers/trucks to Chennai port and also to bring raw material to the plant in insulated vehicles from the farms from various parts of the state. The Presence of the plant in a region which has proximity to raw material location enables the company to procure its raw materials and process them immediately after the harvest season. The storage units at Mambattu is about 90 Km from Chennai Port from where most of the exports are made.

Liquidity analysis – Stretched

Liquidity is marked by tightly matched accruals to repayment obligations, highly utilized bank limits and modest cash balance of Rs.0.37 crore as on March 31, 2022. The company had a working capital cycle of 66 days as of FY22 (PY: 75 days). The improvement in the working capital cycle in FY22 is owing to the lower inventory days that stood at 66 days in FY22 (PY: 95 days). The company normally receives money from its customers from 30 – 45 days and makes payment to its suppliers within 40-60 days and in FY22 the Average Creditors period was 44 days. The company's fund-based utilization remained high with average utilization at 94% for past 11 months ended July 2022.

Analytical approach Standalone

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the company

Hyson Exports Private Limited (HEPL) is engaged in processing and exporting of frozen marine products, primarily Vannamei Shrimps, with its corporate base located in Chennai, Tamil Nadu. The managing director of the company is Mr. P.P. Fasalu and other directors include Mr. Mohamed Shafee Fasalu, who is the son of Mr. P.P. Fasalu. The day-to-day activities of the company are managed by Mr. P.M. Abdutty who is also one of the directors.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (P)	4MFY23 (UA)
Total operating income	105.19	173.91	82
PBILDT	1.99	7.12	NA
PAT	-2.54	2.06	NA
Overall gearing (times)	5.11	3.98	NA
Interest coverage (times)	1.11	2.80	NA

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

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
Non-fund-based - ST-Letter of credit		-	-	-	1.07	CARE A4+
Fund-based - ST-EPC/PSC		-	-	-	28.00	CARE A4+
Fund-based - LT-Term Loan		-	-	October 2024	8.73	CARE BB+; Stable
Non-fund-based - ST-Export Bill Negotiation		-	-	-	20.00	CARE A4+
Fund-based - ST-FBN / FBP		-	-	-	20.00	CARE A4+
Non-fund-based - ST-Bank Guarantee		-	-	-	0.58	CARE A4+

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	Non-fund-based - ST-Letter of credit	ST	1.07	CARE A4+	-	1)CARE A4+ (03-Jan-22)	1)CARE A4+ (05-Feb-21)	-
2	Fund-based - ST-EPC/PSC	ST	28.00	CARE A4+	-	1)CARE A4+ (03-Jan-22)	1)CARE A4+ (05-Feb-21)	-
3	Fund-based - LT-Term Loan	LT	8.73	CARE BB+; Stable	-	1)CARE BB+; Stable (03-Jan-22)	1)CARE BB+; Stable (05-Feb-21)	-
4	Non-fund-based - ST-Export Bill Negotiation	ST	20.00	CARE A4+	-	1)CARE A4+ (03-Jan-22)	1)CARE A4+ (05-Feb-21)	-
5	Fund-based - ST-FBN / FBP	ST	20.00	CARE A4+	-	1)CARE A4+ (03-Jan-22)	1)CARE A4+ (05-Feb-21)	-
6	Non-fund-based - ST-Bank Guarantee	ST	0.58	CARE A4+	-	1)CARE A4+ (03-Jan-22)	1)CARE A4+ (05-Feb-21)	-

*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-Term Loan	Simple
2	Fund-based - ST-EPC/PSC	Simple
3	Fund-based - ST-FBN / FBP	Simple
4	Non-fund-based - ST-Bank Guarantee	Simple
5	Non-fund-based - ST-Letter of credit	Simple
6	Non-fund-based - ST-Export Bill Negotiation	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.

Contact us

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Swathi Subramanian
Phone: 9444234834
E-mail: swathi.subramanian@careedge.in

Relationship contact

Name: Pradeep Kumar V
Phone: +91-98407 54521
E-mail: pradeep.kumar@careedge.in

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:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**