

## NAS Fisheries Private Limited

July 05, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	11.00	CARE BB; Stable (Double B; Outlook: Stable)	Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable)
Short Term Bank Facilities	22.00	CARE A4 (A Four)	Reaffirmed
<b>Total Bank Facilities</b>	<b>33.00</b> <b>(₹ Thirty-Three Crore Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of NAS Fisheries Private Limited (NAS) factors in the consistent growth in scale of operations over the last three years and improvement in the leverage levels aided by capital infusion by promoters in FY22. The ratings, continues to derive strength from experienced promoters and locational advantage with presence in aquaculture zone.

The ratings, however, continue to be constrained by the short track record of operations, leveraged capital structure and susceptibility of margins to volatile raw material prices and forex risk.

### Rating sensitivities

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

- Consistent growth in scale of operations while maintaining PBILDT margins above 7%
- Consistent improvement in overall gearing below 3x

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

- Significant elongation in operating cycle impacting the liquidity position
- Decline in operating margins below 3% on a consistent basis
- Any major capex plan leading to deterioration in capital structure

### Detailed description of the key rating drivers

#### Key Rating Weakness

#### Short track record of operations

NAS was incorporated in 1994 and did not have any operations until it was taken over by the current management in 2012. The commercial operations at the company commenced from April 2019. The first full year of operations of the company was in FY20. The company mainly deals in the export of Shrimp followed by Tuna and other varieties of fish. The company has its own peeling shed unit outside the factory. After peeling, it is processed through the cooking line followed by freezing. The scale of operations remained modest due to short track record.

#### Improved, however leveraged capital structure

The capital structure of the company improved with overall gearing at 3.97x as of March 31, 2022 (PY:14.06x) owing to equity infusion of Rs.8.50 crore by promoters, however continued to be leveraged. The high debt levels are due to working capital intensive operations and term loans availed for purchase of plant and machinery. The debt coverage indicators of the company continued to be weak marked by TD/GCA of 10.20x in FY22(Prov.) as compared to 9.43x in FY21.

#### Exposure to volatile raw material prices and forex risk

NAS exports its entire products and hence it is susceptible to the fluctuations in foreign exchange fluctuation. The company also doesn't have any well-defined foreign exchange management in place which keeps its exposure open. Further, the raw material prices are also highly volatile depending on its availability, and the company is not able to 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 players rendering them volatile.

#### Regulatory risk and highly fragmented industry

The shrimp market is characterized by uncertainty, which is more pronounced in supply side than from demand side. Shrimp 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 shrimp. However, NAS is procuring shrimp from shrimp farms which help it to overcome the supply irregularities. There are varieties of lethal viral and bacterial 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 wipe out the almost 90% of total shrimp population in a particular farm.

<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

## Key Rating Strengths

### Extensive experience of promoters in the seafood industry

The Managing Director, Mr. K K Ashraf, and his sons Mr. K A Muhsin and Mr. K A Hashim have been involved in the seafood business for over four decades. They have been able to leverage their wide experience and contacts in the industry to establish a wide range of clientele. The ability of the promoters to identify industry trends and customer preferences have helped the group to sustain amidst the volatility associated with the seafood business. The day-to-day operations of the company are presently being managed by the MD and his sons together.

### Modest scale of operations, however consistently growing

Despite short track record of only three years, the scale of operations of the company had been steadily growing year on year. The company had higher realizations as the international prices also began to rise with a significant increase in the volume of export of shrimp resulting in an increase in TOI from Rs. 83.90 crore in FY21 to Rs.147.47 crore in FY22 (Prov.) The increase in volume is due to bulk orders from Mexico and China which is expected to sustain in the long term. For 2MFY23, the company has recorded sales of Rs.43 crore and has an outstanding order book of Rs.50 crore.

### Locational Advantage with presence in the aquaculture zone

The plant of the company is located in Kochi, Kerala. The Presence of the plant in a coastal region which has proximity to raw material location enables the group to procure its raw materials and process them immediately after the harvest season.

### Liquidity: Stretched

Liquidity is stretched marked by highly utilized bank limits, moderate cushion in accruals to repayment obligations of Rs.2.8-3 crore during next three years and modest cash balance of Rs.4.88 crore as on March 31, 2022. The working capital cycle of NAS stood at 74 days in FY22 (Prov.) (PY:51 days). The company usually receives 70% of payment after the delivery of consignment, the collection period stood at 64 days in FY22. The company purchases shrimp from local farmers in Andhra Pradesh on cash and carry basis and does not avail any credit period, however for purchase of other raw material from TN and Kerala it receives a credit period of 30 days. The average utilization of the packing credit for the last 12 months ended March 31, 2021, stood almost 95-100%.

### 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

Kochi, Kerala based NAS Fisheries Private Limited was incorporated in 1994. The company was taken over by the current management in 2012 and the commercial operations commenced in April 2019. FY20 was the first full year of operations. The company is engaged in the processing and export of various varieties of sea food, primarily Shrimp and Tuna and other products like Octopus, squid, various types of fish etc. NAS procures the sea food directly from local fishermen and primarily exports to countries like Mexico, USA, Tunisia, China etc. The company has an installed monthly capacity of 4,495 MT.

Brief Financials (₹ crore)	31-03-2020 (A)	31-03-2021 (A)	31-03-2022 (P)	2MFY23 (UA)
Total operating income	66.54	83.90	147.47	43.00
PBILDT	5.04	5.89	7.26	NA
PAT	0.24	0.77	1.97	NA
Overall gearing (times)	14.00	14.06	3.97	NA
Interest coverage (times)	3.93	3.81	3.92	NA

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

**Status of non-cooperation with previous CRA:** Nil

**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	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	April 2025	6.22	CARE BB; Stable
Fund-based - LT-Proposed fund-based limits		-	-	-	4.78	CARE BB; Stable
Fund-based - ST-EPC/PSC		-	-	-	12.00	CARE A4
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	10.00	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	Fund-based - LT-Term Loan	LT	6.22	CARE BB; Stable	-	1)CARE BB-; Stable (06-Sep-21)	-	-
2	Fund-based - LT-Proposed fund-based limits	LT	4.78	CARE BB; Stable	-	1)CARE BB-; Stable (06-Sep-21)	-	-
3	Fund-based - ST-EPC/PSC	ST	12.00	CARE A4	-	1)CARE A4 (06-Sep-21)	-	-
4	Fund-based - ST-Bill Discounting/ Bills Purchasing	ST	10.00	CARE A4	-	1)CARE A4 (06-Sep-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-Proposed fund-based limits	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple
4	Fund-based - ST-EPC/PSC	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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