

## Uniroyal Marine Exports Limited

January 11, 2021

### Rating

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Short Term Bank Facilities	30.75	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>30.75</b> <b>(Rs. Thirty Crore and Seventy-Five Lakhs Only)</b>		

*Details of instruments/facilities in Annexure*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated November 25, 2019, placed the rating(s) of Uniroyal Marine Exports Limited (UMEL) under the 'issuer non-cooperating' category as UME had failed to provide information for monitoring of the rating. UMEL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated September 11, 2020 to December 17, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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

*The ratings assigned to the bank facilities of Uniroyal Marine Exports Limited (UMEL) takes in to account decline in profitability margins and debt coverage indicators during FY20 (refers to the period April 01 to March 31). The ratings continues to be tempered by modest scale of operations, leverage capital structure, elongated operating cycle, lack of price control on both supply and demand side and highly fragmented and competitive industry. The rating however continues to draw its strength from long track record and experienced managements, and location advantage.*

### Detailed description of the key rating drivers

*Updated for the information available from Bombay Stock Exchange (BSE)*

#### **Key Rating Weakness**

##### **Modest scale of operations**

Being in business for more than two decades, the scale of operation improved marginally and stood modest with total operating income of Rs. 43.79 crore in FY20 as compared to Rs.42.61 crore in FY19. The tangible net-worth of the company stood stable at Rs.3.86 crore as on March 31, 2020. Further, the company has registered total operating income of Rs. 16.91 crore for H1FY21.

##### **Weak financial risk profile**

**Profitability margin:** The PBILDT margin has declined by 95 bps and stood at 4.41% in FY20 as compared to 5.36% in FY19. Further, the PAT margin has declined by 67 bps and stood thin at 0.28% in FY20 due to decline in absolute amount of PBILDT during the year.

**Capital structure:** The overall gearing ratio continues remain leveraged at 3.59x as on March 31, 2020 though marginally improved from 3.71x as on March 31, 2019 due to decline in total debt levels during the year.

**Debt coverage indicators:** The PBILDT interest coverage ratios stood has declined marginally and stood at 1.51x in FY20 as compared to 1.68x in FY19 and total debt to gross cash accrual has deteriorated and stood weak at 20.40x in FY20 (P.Y: 15.08) due to decline in cash accruals during the year.

##### **Elongated operating cycle**

Though the operating cycle of the company has improved marginally from 131 days in FY19 to 121 days in FY20 due to decline in the average inventory holding period on account of improved scale of operations.

##### **Lack of price control on both supply and demand side**

The sea food exporters have no control over the procurement price of the marine catches. The price demanded by the fishermen varies depending on the availability and quantum of marine catches. With sea food exporters, having scaled up their processing capacity over the years anticipating higher demand in the export market, demand for the scarcely available marine catches usually remains high.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

\*Issuer Not Cooperating; based on best available information

The processed fish price in the international market depends on numerous factors like seasonality in demand and marine supplies from various countries. The fierce competition from numerous sea food exporters from various countries competing for these orders results in lack of pricing power for these exporters.

#### **Highly fragmented and competitive industry**

The company faces tough competition from processors in various maritime states of India with better fishery resources particularly from Vizag, Kochi and Pipavav. There is also competition from other exporting countries such as the US, China, Thailand, Vietnam etc. Moreover, there has been increasing scarcity of marine supplies on account of overfishing coupled with the adverse changes in climatic conditions leading to poor fish breed which can result in loss of competitive edge.

#### **Key Rating Strengths**

##### **Long track record and experience management in sea food industry**

UMEL was incorporated in 1992 by Mr. Anush K Thomas, Mr. Iype Mathew, Mr. Nath Ram, Mr. Mohanlal, Mr. KC Thomas and Ms. Nithya Alex. The promoters have been in the business of sea food over two decades. Mr. Anush K Thomas, the Managing director, has experience of more than a decade in administrative affairs and sea food industry.

##### **Location advantage**

The processing plant is located near to Calicut, Kerala which is on the emerald coast of Malabar where two of the largest fishing harbors from where over 1000 fishing trawlers operate daily are situated nearby which enables the company to procure good quality fish which can be processed immediately. The proximity of the processing plant to the fishing belt also helps to lower transportation costs on account of proximity to harbor.

**Analytical approach:** Standalone

#### **Applicable criteria**

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

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

[Criteria for Short Term instrument](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating methodology – Manufacturing Companies](#)

#### **About the Company**

Calicut based Uniroyal Marine Exports Limited (UMEL) was incorporated on August 21, 1992 as Public Limited Company and listed in BSE. The company is engaged in processing and trading of sea food (Shrimps and Squids) with the installed capacity of 17, 100 Ton per annum.

<b>Brief Financials (Rs. crore)</b>	<b>FY19 (A)</b>	<b>FY20 (A)</b>
Total operating income	42.61	43.79
PBILDT	2.28	1.93
PAT	0.40	0.12
Overall gearing (times)	3.71	3.59
Interest coverage (times)	1.68	1.51

A: Audited

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

**Any other information:** Not Applicable

**Rating History (Last three years):** Please refer Annexure-2

#### **Annexure-1: Details of Instruments/Facilities**

<b>Name of the Instrument</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the Issue (Rs. crore)</b>	<b>Rating assigned along with Rating Outlook</b>
Non-fund-based - ST-EPC/PCFC	-	-	-	15.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bills Discounting / Bills Purchasing	-	-	-	15.75	CARE A4; ISSUER NOT COOPERATING*

\*Issuer not cooperating; based on best available information

## 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.	Non-fund-based - ST-EPC/PCFC	ST	15.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (25-Nov-19)	1)CARE A4 (28-Sep-18) 2)CARE A4 (16-Aug-18)	-
2.	Non-fund-based - ST-Bills Discounting / Bills Purchasing	ST	15.75	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (25-Nov-19)	1)CARE A4 (28-Sep-18)	-

\*Issuer not cooperating; based on best available information

## Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Non-fund-based - ST-Bills Discounting / Bills Purchasing	Simple
2.	Non-fund-based - ST-EPC/PCFC	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

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