

Crystalnova Foods Private Limited

August 23, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	20.00	CARE BB-; Stable / CARE A4 (Double B Minus; Outlook: Stable / A Four)	Assigned
Total Facilities	20.00 (₹ Twenty Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Crystalnova Foods Private Limited (CFPL) is constrained by short track record of operations, low net worth base, leveraged capital structure, moderate debt coverage indicators, thin profitability margin due to its fragmented and competitive nature of the industry. However, the rating derives strength from experienced and resourceful promoter, locational advantage, and stable demand outlook for seafood and rice exports.

Rating Sensitivities

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

- ✓ Significant increase in total operating income of the company above ₹ 100 cr.
- ✓ Overall gearing improving to less than 2x

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

- ✗ Significant deterioration in the operating cycle or liquidity position
- ✗ Deterioration in the interest coverage ratio at below 2x

Detailed description of the key rating drivers

Key Rating Weaknesses

Short track record of operations, low net worth base

With 4 months of operations, the company has achieved a total operating income (TOI) of ₹49 crore in FY22. Further the networth base of the company remained low at ₹5.84 crore as on March 31, 2022, owing to limited track record of its operations. In the present financial year, till July 25, 2022, the company has achieved a TOI of ₹ 30 crore

Thin profitability margins

The operating and net margins was low at 2.95% and 1.71%, due to trading nature of business operation, and is expected to be slightly high in the projected period with economies of scale.

Leveraged capital structure and moderate debt coverage indicators

The overall capital structure stands leveraged marked by overall gearing at 3.35x as on March 31, 2022 (Prov.), due to high debt levels given nascent stage of operation. The debt profile of the company comprises working capital loan and nominal unsecured loan from the director. Further, with the accretion of profits to reserve the networth is expected to improve and inturn would improve the overall capital structure.

The coverage indicators stand moderate marked by PBILDT interest coverage ratio and total debt to GCA. The interest coverage stands at 6.30x due to lower interest expenses at the back of 4 months of operation in FY22, further, the TDGCA stands 23.39x on account of lower GCA levels due to initial months of operation. The coverage indicators are expected to improve in projected period due to higher GCA and PBILDT levels.

Working capital intensive nature of operations:

The operations of CFPL is working capital intensive in nature with funds blocked in receivables as the company offers its customers an extended credit period owing to overseas customer base as well as intense competition prevalent in the industry. On account of this, the utilization of the working capital limit remained high at 95-100%. The company procures the traded products from the domestic market. The current ratio and quick ratio stood satisfactory at 1.23x times and 1.15x times respectively as on March 31, 2022. Considering the trading nature of business, the capital employed is totally invested in the net working capital as on March 31, 2022.

Fragmented and competitive nature of the industry.

The company is into trading of processed rice and shrimps, therefore, it operates in a highly fragmented and unorganized market for its products with presence of large number of small and mid-sized players. The industry is characterized by low entry barriers

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

due to minimal capital required and easy access to clients and suppliers. Also, the presence of big sized players with established marketing & distribution network results into intense competition in the industry.

Key Rating Strengths

Experienced promoter

Crystalnova Foods Private Limited (CFPL) is promoted by Mr. Dwarampudi Veerabhadra Reddy. Mr. Reddy is responsible for procurement, production & marketing functions of the company. His Wife Mrs Madhuri Latha Dwarampudi, director of the company is in-charge of procurement & marketing functions of the company. Along with the responsibilities in CFPL, Mr. Dwarampudi Veerabhadra Reddy is also the director in Veerabhadra Exports Pvt Ltd, Manasa Quality Enterprises Limited, Seashore Exims Private Limited, Sri Adilakshmi Property Developers Private Limited. VEPL benefits from the experience of Mr. Veerabhadra Reddy and Mrs. Latha Dwarampudi who has wide exposure towards business in different industries. Further, Mr. D. Chandrasekhar Reddy (Brother of MD) is an ex-MLA from Kakinada.

Locational advantage

The company has locational advantage with the warehouse facility located at Kakinada – biggest port and one of the prominent paddy growing belts and prime aquaculture zone in Andhra Pradesh. CFPL deal with rice millers across Andhra Pradesh and Telangana, and other adjoining states, and for processed shrimps it is dependent on its associate concern Veerabhadra Exports Pvt Ltd, which is again located at the nearby location in the same city.

Stable demand outlook for export of non-basmati rice and shrimps

India's non-basmati rice exports grew by 109% from USD 2,925 million in FY2013-14 to USD 6,115 million in FY2021-22 even as the number of countries to which it was exported rose to over 150 in 2021-22. As per the data from Director General of Commercial Intelligence and Statistics (DGCIS), Kolkata, India exported non-basmati rice worth \$2,015 million in 2019-20, which rose to \$4,799 million in 2020-21 and \$6,115 million in 2021-22.

Marine products exports from India reached the all-time high of US\$ 7,740 million during 2021-22, despite the heavy odds faced by the sector. The target for 2021-22 fixed by Department of Commerce, GoI, for this sector was US\$ 7809 million and marine products export achieved 99.12% of the target. The growth observed is 30% higher when compared to 2020-21 in US\$ value terms. The seafood export Compound Annual Growth Rate (CAGR) during the past decade stands as 8.23%.

Liquidity analysis: Stretched

The liquidity position of the company is stretched, marked by fully utilized working capital lines at around 95-100%. Although, the company does not have any term det repayment obligation. The promoters are also resourceful and may bring in funds on need basis.

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](#)

[Wholesale Trading](#)

About the Company

Crystalnova Foods Private Limited (CFPL) was incorporated in April 2021 and is promoted by Mr. Dwarampudi Veerabhadra Reddy. The company is based out at Kakinada, Andhra Pradesh, and is into trading of rice and processed frozen shrimps and has started its commercial production from December 2021. The company exports the processed non-basmati rice procured from the millers and its associate concern (Manasa Quality Enterprises Ltd). Apart, the company also exports processed frozen shrimp, which are procured from the farmers and are processed at one of its associate concern Veerabhadra Exports Pvt Ltd (rated CARE BBB-;Stable and CARE A3) on job work basis. Both the processed products i.e. rice and shrimps are supplied in the ASEAN (mainly from Vietnam) market on order basis. Since, the promoter have long experience in the export market for sea food products, the company gets regular orders.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (Prov.)	Q1FY23 (Prov.)
Total operating income	NA	49.00	30.00
PBILDT	NA	3.80	NA
PAT	NA	1.47	NA
Overall gearing (times)	NA	3.35	NA
Interest coverage (times)	NA	6.30	NA

A: Audited, Prov: Provisional

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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 (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT/ ST-Packing Credit in Foreign Currency		-	-	-	20.00	CARE BB-; Stable /CARE A4

Annexure-2: Rating History of 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/ ST-Packing Credit in Foreign Currency	LT/ST*	20.00	CARE BB-; Stable / CARE A4	-	-	-	-

* 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 - LT/ ST-Packing Credit in Foreign Currency	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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