

## Ulka Sea Foods Private Limited

January 04, 2019

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Short term Bank Facilities	70.00	CARE A3 (A Three)	Reaffirmed
<b>Total Facilities</b>	<b>70.00</b> <b>(Rs. Seventy crore only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The reaffirmation of rating assigned to the bank facilities of Ulka Sea Foods Private Limited (USL) continues to derive strength from the promoter's significant experience and long track record in the seafood processing industry, locational advantage and strategic tie-up with suppliers. The rating also factors in growth in revenues leading to higher cash accruals and comfortable capital structure/debt coverage indicators in FY18 (refers to the period from April 01 to March 31).

The rating strengths are however tempered by thin profit margins coupled with deterioration in capital structure in H1FY19, seasonal nature of operations, relatively high business risks as shrimps farming and processing is exposed to diseases and viral attacks as well as exposure to regulatory, volatile input prices and foreign exchange related risks.

USL's ability to increase its scale of operations along with improvement in profitability margins and capital structure through effective management of working capital cycle are the key rating sensitivities.

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### Promoter's significant experience and long track record in seafood business

Mr Gorakh Rohakale, Mr Jalindar Rohakale and Mr Raju Rohakale are directors of USL. Mr Gorakh Rohakale has around three decade of experience in the fishing business. Mr Jalindar Rohakale and Mr Raju Rohakale are sons of the Mr Gorakh Rohakale and have about a decade of experience in seafood industry and looks after marketing functions and day-to-day operations. Till date, promoters had infused Rs.11.15 crore in the form of unsecured loans, to support the company's capital requirements.

##### Strategic Tie-Ups with suppliers

The company has strategic tie ups with promoters' firms for supply of raw materials, which accounts for majority of its total purchases, thereby securing the raw material availability to that extent.

##### Locational advantage

The company enjoys locational advantage in terms of strategic location of its sea food processing center which is located in proximity to the fish procurement area. This in a way helps the company with availability of raw material i.e. fish to meet the production requirement of the company.

##### Growth in revenues

During FY18, the company's total operating income reflected significant growth of 43% on a y-o-y basis owing to increase in sales volume. This has led to improvement in gross cash accruals for the period. However, scale of the business remains moderate. During H1FY19, the company reported growth in revenues by around 19% on y-o-y basis.

##### Stable operating cycle and Moderate liquidity position

The working capital cycle has improved to 6 days in FY18 as compared to 21 days during FY17 on the back of lower receivable days. However, due to the seasonal nature of the business working capital cycle can change vastly depending on the time of a year. Despite of seasonal nature of business and intensive working capital needs, USL maintains adequate liquidity cushion as average utilization of fund based limits remained at 33% for past 12 months ending Oct-18.

##### Comfortable capital structure and debt coverage indicators

The capital structure of the company remained comfortable with overall gearing at 0.59x in FY18 as against 0.45x in FY17. USL's debt is mainly in the form of working capital borrowing. However, the capital structure though deteriorated to 0.97x as on September 30, 2018. During the same period, debt coverage indicators remained comfortable with total debt to GCA at 2.11x (2.00x in FY17). Interest coverage improved to 17.93x as against 9.52x in FY17 on improves PBILDT.

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

### Key Rating Weaknesses

#### Thin profit margins

During FY18, the operating profit margins derived by the company were stable albeit remained thin owing to high manufacturing overheads incurred during the period. Consequently, PAT margins also remained thin. During H1FY19, the profit margins declined and continued to remain thin owing to higher raw material costs coupled with lower realisation.

#### Susceptibility to climatic condition, diseases and government regulations:

USL's sea food processing business is susceptible to changes in climatic conditions which might lead to an outbreak of a disease or a virus attack. Also, the water conditions in the farms need to be checked at regular intervals for salinity and other factors which might also affect the crop adversely. Sea food exports are governed by various regulations in the European Union, and various other seafood consuming countries. Also, the exporter's plants and facilities need to be approved by the respective authorities. Any adverse change in the regulations of these countries might have a significant bearing on exports.

#### Volatility in input prices & Foreign exchange fluctuation risk

Sea food processing is a raw material intensive business as it accounts for more than 80% of the total costs, thereby rendering price of the final product vulnerable to volatility in raw material prices.

USL receives its revenues from exporting products to more than 25 countries. Despite exporting to various countries, 97% of the billing is done in USD. USL hedges 50% of its receivables thereby keeping the company exposed to the foreign currency fluctuation risk for the balance.

**Analytical approach:** Standalone

#### Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

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

[Rating Methodology-Manufacturing Companies](#)

#### About the Company

Incorporated in 2003, Ulka Sea Foods Private Limited (USL) was promoted by Rohkale family. USL is engaged in surimi fish production & processing of the seafood (primarily fish). USL primarily exports to Russia, Europe and other south-east ASIAN countries. The company procures fish from fishermen operating in western coastline of India. The procurement and selling of USL are aided by the rich experience of promoters in the sea foods industry. USL has three manufacturing facilities (all in Mumbai) which are approved by Hazard Analysis Critical Control Point (HACCP) and are also certified by European Union (EU).

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	362.19	518.42
PBILDT	11.01	16.35
PAT	3.49	4.81
Overall gearing (times)	0.45	0.59
Interest coverage (times)	9.52	17.93

A: Audited

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

**Any other information:** Not Applicable

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

**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.

#### Analyst Contact:

Name: Vikash Agarwal

Tel: 022-6754-3405

Email: [vikash.agarwal@careratings.com](mailto:vikash.agarwal@careratings.com)

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

#### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

#### Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - ST-EPC/PSC	-	-	-	70.00	CARE A3

#### 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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (10-Mar-17) 2)CARE BBB- (13-Apr-16)	1)CARE BBB- (13-Apr-15)
2.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	-	1)Withdrawn (13-Apr-16)	1)CARE A3 (13-Apr-15)
3.	Fund-based - ST-EPC/PSC	ST	70.00	CARE A3	1)CARE A3 (07-Apr-18)	-	1)CARE A3 (10-Mar-17) 2)CARE A3 (13-Apr-16)	1)CARE A3 (13-Apr-15)

**CONTACT****Head Office Mumbai**

**Ms. Meenal Sikchi**  
Cell: + 91 98190 09839  
E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)

**Ms. Rashmi Narvankar**  
Cell: + 91 99675 70636  
E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)

**Mr. Ankur Sachdeva**  
Cell: + 91 98196 98985  
E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)

**Mr. Saikat Roy**  
Cell: + 91 98209 98779  
E-mail: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)

**CARE Ratings Limited**

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: [care@careratings.com](mailto:care@careratings.com)

**AHMEDABAD**

**Mr. Deepak Prajapati**  
32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015  
Cell: +91-9099028864  
Tel: +91-79-4026 5656  
E-mail: [deepak.prajapati@careratings.com](mailto:deepak.prajapati@careratings.com)

**BENGALURU**

**Mr. V Pradeep Kumar**  
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.  
Cell: +91 98407 54521  
Tel: +91-80-4115 0445, 4165 4529  
Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**CHANDIGARH**

**Mr. Anand Jha**  
SCF No. 54-55,  
First Floor, Phase 11,  
Sector 65, Mohali - 160062  
Chandigarh  
Cell: +91 85111-53511/99251-42264  
Tel: +91- 0172-490-4000/01  
Email: [anand.jha@careratings.com](mailto:anand.jha@careratings.com)

**CHENNAI**

**Mr. V Pradeep Kumar**  
Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.  
Cell: +91 98407 54521  
Tel: +91-44-2849 7812 / 0811  
Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**COIMBATORE**

**Mr. V Pradeep Kumar**  
T-3, 3rd Floor, Manchester Square  
Puliakulam Road, Coimbatore - 641 037.  
Tel: +91-422-4332399 / 4502399  
Email: [pradeep.kumar@careratings.com](mailto:pradeep.kumar@careratings.com)

**HYDERABAD**

**Mr. Ramesh Bob**  
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
Hyderabad - 500 029.  
Cell : + 91 90520 00521  
Tel: +91-40-4010 2030  
E-mail: [ramesh.bob@careratings.com](mailto:ramesh.bob@careratings.com)

**JAIPUR**

**Mr. Nikhil Soni**  
304, Pashupati Akshat Heights, Plot No. D-91,  
Madho Singh Road, Near Collectorate Circle,  
Bani Park, Jaipur - 302 016.  
Cell: +91 – 95490 33222  
Tel: +91-141-402 0213 / 14  
E-mail: [nikhil.soni@careratings.com](mailto:nikhil.soni@careratings.com)

**KOLKATA**

**Ms. Priti Agarwal**  
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.  
Cell: +91-98319 67110  
Tel: +91-33- 4018 1600  
E-mail: [priti.agarwal@careratings.com](mailto:priti.agarwal@careratings.com)

**NEW DELHI**

**Ms. Swati Agrawal**  
13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.  
Cell: +91-98117 45677  
Tel: +91-11-4533 3200  
E-mail: [swati.agrawal@careratings.com](mailto:swati.agrawal@careratings.com)

**PUNE**

**Mr. Pratim Banerjee**  
9th Floor, Pride Kumar Senate,  
Plot No. 970, Bhamburda, Senapati Bapat Road,  
Shivaji Nagar, Pune - 411 015.  
Cell: +91-98361 07331  
Tel: +91-20- 4000 9000  
E-mail: [pratim.banerjee@careratings.com](mailto:pratim.banerjee@careratings.com)

CIN - L67190MH1993PLC071691