

Ulka Sea Foods Private Limited

March 16, 2020

Ratings:

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Short term Bank Facilities	70.00	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Revised from CARE A3 to CARE A4; Issuer Not Cooperating
Total	70.00 (Rs. Seventy crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from **Ulka Sea Foods Private Limited** to monitor the rating(s) vide e-mail communications/letters dated March 03, February 19 2020, January 27 2020, January 21 2020, January 07 2020, November 27 2019, November 04 2020 and October 03 2020 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. The rating on Ulka Sea Foods Private Limited's bank facilities will now be denoted as **CARE A4; ISSUER NOT COOPERATING***.

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

The ratings have been revised on account of negative prospects of the sea food export industry due to adverse micro economic conditions and an overall slowdown in global trade. Further, the rating have also been revised due to limited availability of information and increase in debt levels in FY19.

Further, the rating is tempered by relatively high business risks as shrimps farming and processing is exposed to diseases and viral attacks as well as exposure to regulatory risks, volatile input prices and foreign exchange related risks. The rating 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.

Detailed description of the key rating drivers

At the time of last rating on January 04, 2019 the following were the rating strengths and weaknesses (updated for the information available on the internet and from Registrar of Companies).

Key Rating Weaknesses

Susceptibility to climatic condition, diseases and government regulations:

The sea food industry on the whole is exposed 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.

The current micro economic conditions due to the spread of the virus from China is expected to adversely affect the sea food industry going forward.

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.

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

USL receives its revenues from exporting products to more than 25 countries. Despite exporting to various countries, more than 90% billing has been historically done in USD. USL hedges 50% of its receivables thereby keeping the company exposed to the foreign currency fluctuation risk for the balance.

Weakening capital structure and debt coverage indicators

The total debt of the company increased from Rs.24.08 crores in FY18 to Rs.35.59 crores in FY19.

This led to weakening of the overall gearing ratio from 0.59x in FY18 to 0.75x in FY19. USL's debt is mainly in the form of working capital borrowing.

During the same period, debt coverage indicators also weakened with total debt to GCA at 2.87x (2.11x in FY18). Interest coverage fell to 10.12x as against 17.93x in FY18.

Thin profitability margins

Even though profitability levels improved in FY19 with PAT of Rs.6.49 crore in FY19 as compared to Rs.4.81 in FY18, the profitability margins continue to be thin due to high manufacturing costs. PBILDT margins improved from 3.15x in FY18 to 3.55x in FY19 and PAT margins improved from 0.93x in FY18 to 1.28x in FY19. However, the company continues to have limited scope to absorb downturns in its operations.

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.

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.

Analytical approach: Standalone

Applicable Criteria

[CARE's Credit Rating Process including Process for Issuer Not Cooperating cases](#)

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

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

[CARE's methodology for manufacturing companies](#)

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

[Criteria for Short Term Instruments](#)

About the Company

Incorporated in 2003, Ulka Sea Foods Private Limited (USL) was promoted by Rohakale 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.

USL has three manufacturing facilities (near Mumbai) which are approved by Hazard Analysis Critical Control Point (HACCP) and are also certified by European Union (EU). USL has a plant located at Taloja, MIDC with installed capacity to 700 Metric Tonnes Per Day (MTPD).

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	518.42	507.27
PBILDT	16.35	18.02
PAT	4.81	6.49
Overall gearing (times)	0.59	0.75
Interest coverage (times)	17.93	10.12

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: NA

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

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 A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of 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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (10-Mar-17) 2)CARE BBB- (13-Apr-16)
2.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	-	-	1)Withdrawn (13-Apr-16)
3.	Fund-based - ST-EPC/PSC	ST	70.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3 on the basis of best available information	-	1)CARE A3 (04-Jan-19) 2)CARE A3 (07-Apr-18)	-	1)CARE A3 (10-Mar-17) 2)CARE A3 (13-Apr-16)

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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