

## Ulka Sea Foods Private Limited

April 07, 2018

### Ratings

Facilities	Amount (Rs. crore)	Ratings <sup>1</sup>	Rating Action
Short term Bank Facilities	50.00	<b>CARE A3 (A Three)</b>	<b>Reaffirmed</b>
<b>Total Facilities</b>	<b>50.00 (Rs. Fifty 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) takes into account vast experience of the promoters in the seafood processing industry, continuous financial support extended by promoters, locational advantage and strategic tie-up with suppliers. The rating also factors in growth in revenues along with comfortable capital structure and debt coverage indicators.

The rating, however, continues to be tempered by thin profit margins, competitive nature of the industry coupled with volatility in raw material prices and foreign exchange rates.

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

### Detailed description of the key rating drivers

#### Key Rating Strengths

##### Experienced promoters providing continuous financial support

MrGorakhRohakale, MrJalindRohakale and MrRajuRohakale are directors of USL. MrGorakhRohakale has around 28 years of experience in the fishing business. MrJalindRohakale and MrRajuRohakale are sons of the MrGorakhRohakale and have more than 8 years of experience in seafood industry and looks after marketing functions and day-to-day operations. As on March 31, 2017, 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 centre 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 FY17, the company's total operating income reflected growth of 12.53% on a y-o-y basis owing to increase in sales volume.

##### Stable operating cycle

The working capital cycle has improved moderately and fairly remained stable at 21 days in FY17 as compared to 33 days during FY16 on the back of change in product mix and changing business environment.

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

The capital structure of the company remained comfortable with overall gearing at 0.45x in FY17 as against 1.52x in FY16. Majority of USL's debt is in the form of working capital borrowing and the improvement in overall gearing is primarily on account of lower working capital borrowing as on March 31, 2017 as a result of lower operating cycle. The operating cycle

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

improved moderately in FY17 as a result of change in product mix wherein the company has to maintain lower inventory of raw material and increase in supplier credit period. During the same period, debt coverage indicators remained comfortable with total debt to GCA at 2.00x (6.26x in FY16). Interest coverage improved to 9.52x as against 4.60x in FY16 on back of lower interest outgo.

Further, out of the total outstanding debt as on March 31, 2017, 69% was in form of unsecured loan from promoters.

### Key Rating Weaknesses

#### Thin profit margins

During FY17, the operating profit margins derived by the company declined and remained thin owing to higher manufacturing overheads incurred during the period. Consequently, PAT margins also remained thin.

#### 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). USL has a plant located at Taloja, MIDC with installed capacity of 700 Metric Tonnes Per Day (MTPD).

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	321.87	362.19
PBILDT	11.94	11.01
PAT	3.54	3.49
Overall gearing (times)	1.52	0.45
Interest coverage (times)	4.60	9.52

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: VikashAgarwal

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	-	-	-	50.00	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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - ST-EPC/PSC	ST	50.00	CARE A3	-	1)CARE A3 (10-Mar-17) 2)CARE A3 (13-Apr-16)	1)CARE A3 (13-Apr-15)	1)CARE A3 (10-Apr-14)

**CONTACT****Head Office Mumbai****Ms. MeenalSikchi**

Cell: + 9198190 09839

E-mail: [meenal.sikchi@careratings.com](mailto:meenal.sikchi@careratings.com)**Ms.RashmiNarvankar**

Cell: + 9199675 70636

E-mail: [rashmi.narvankar@careratings.com](mailto:rashmi.narvankar@careratings.com)**Mr. AnkurSachdeva**

Cell: + 9198196 98985

E-mail: [ankur.sachdeva@careratings.com](mailto:ankur.sachdeva@careratings.com)**Mr. Saikat Roy**

Cell: + 9198209 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. AnandJha**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, PashupatiAkshatHeights, Plot No. D-91,  
Madho Singh Road, NearCollectorateCircle,  
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. PritiAgarwal**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 KumarSenate,  
Plot No. 970, Bhamburda, SenapatiBapat Road,  
ShivajiNagar, 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