Uniroyal Marine Exports Limited

November 25, 2019

Rating

Facilities	Amount (Rs. Crore)	Rating[1]	Rating Action
Short-term Bank Facilities	30.75	CARE A4; ISSUER NOT COOPERATING* (A Four; Issuer Not Cooperating)	Issuer not cooperating; Based on best available information
Total Facilities	**30.75 (Rupees Thirty Crore and Seventy Five Lakh Only)**		

Details of instruments/facilities in Annexure

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Uniroyal Marine Exports Limited (UMEL) to monitor the rating vide e-mail communications/ letters dated November 04, 2019, November 12, 2019, November 14, 2019, November 15, 2019 and November 18, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. **In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at fair rating**. The rating on Uniroyal Marine Exports Limited 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.

The ratings assigned to the bank facilities of Uniroyal Marine Exports Limited (UMEPL) continue to remain constrained by its modest scale of operations, thin PAT margin, profitability margins are susceptible to raw material and foreign exchange price fluctuation, financial risk profile is marked by leveraged capital structure and weak debt services indicators, elongated operating cycle, lack of price control on both supply and demand side and highly fragmented and competitive industry.

However, the ratings derive comfort from long track record and experience management in sea food industry, location advantage, stable demand for sea food industry.

Going forward, the company's ability to improve its scale of operations and improve its capital structure and debt coverage indicators remains the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weakness

Modest scale of operations for the period under review

Being in business for more than two decades, the scale of operation declined marginally and stood modest with total operating income of the company declined by ~2.5% and stood at Rs.42.61 crore in FY19 as compared to Rs.43.73 crore in FY18. The tangible net-worth of the company, however, increased and stood at Rs.3.85 crore as on March 31, 2019 as against Rs.3.65 crore in FY18.

Thin profitability margins and susceptible to raw material and foreign exchange price fluctuation albeit marginal increase in FY19

PBILDT margin improved and stood at 5.36% in FY19 as compared to 4.85% in FY18. PAT margin increased in line with PBILDT margin and stood at 0.95% in FY19 as compared to 0.56% in FY18.

Financial risk profile is marked by leveraged capital structure and weak debt services indicators

The capital structure marked by overall gearing improved marginally and stood at 3.71x as on March 31, 2019 as compared to 4.17x as on March 31, 2018. The PBILDT interest coverage ratio also increased from 1.53x in FY18 to 1.68x in FY19. TD/GCA and TD/CFO also improved and stood at 15.08x and 4.91x, respectively, in FY19 as compared to 19.42x and 15.21x in FY18.

Elongated operating cycle

The operating cycle of the company increased and stood elongated at 131 days in FY19 as compared to 124 days in FY18. The average collection period increased from 9 days in FY18 to 15 days in FY19.

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

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

their processing capacity over the years anticipating higher demand in the export market, demand for the scarcely available marine catches usually remains high.
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.

Stable demand for sea food industry
During FY17, the Indian seafood export registered an all-time-high volume with a y-o-y growth of around 20%. The Industry recovered in FY17 after witnessing a setback in FY16 wherein exports declined by about 10% in volume terms. Overall, the industry is poised to grow favorably given the liberalized FDI policy, favorable growth environment and increasing export demand. Provisional export figures during April-November 2017 (FY18) have shown an increase of 18.72% and 15.16%, respectively in volume and value (in US dollar) of seafood exports.

Analytical approach: Standalone

Applicable criteria
Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector

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. UMEL has maintaining quality standards conforming to US FDA and ECC standards. UMEL has employed 85 employees at their plant in Calicut and Mr. Anush K Thomas manages the day-to-day operations of the company. The company procures its raw materials like shrimps, shuffle, other marine products of from Kerala, Tamil Nadu and Andhra Pradesh. UME predominantly exports its products to US, European and Arab countries.

Brief Financials (Rs crore)	FY17 (A)	FY18 (A)
Total operating income	44.30	43.73
PBILDT	2.47	2.12
PAT	0.06	0.24
Overall gearing (times)	4.32	4.17
Interest coverage (times)	1.34	1.53

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

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-EPC/PCFC	-	-	-	15.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Bills Discounting / Bills Purchasing	-	-	-	15.75	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

**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 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.	Non-fund-based - ST-EPC/PCFC	ST	15.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	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* Issuer not cooperating; Based on best available information	-	1)CARE A4 (28-Sep-18)	-	-

**Issuer not cooperating; Based on best available information*

***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.*

Contact us

Media Contact
Mradul Mishra
Contact no. – +91-22-6837 4424
Email ID – mradul.mishra@careratings.com

Analyst Contact
Group Head Name - Mr Manish Kumar
Group Head Contact no.- 040-67937415
Group Head Email ID- manish.kumar@careratings.com

Business Development Contact
Name: Mr. Saurav Pandey
Contact no.: 080 – 4662 5555
Email ID : saurav.pandey@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.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**