



Press Release

Choice Trading Corporation Private Limited (CTCPL)

February 08, 2022

Ratings

Instrument/ Facility	Amount (INR Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Pre shipment / Post shipment	165.00	IVR BBB- /Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Non-Fund Based Bank Facilities – LC/BG/FBD(LC)	7.45	IVR A3 (IVR A Three)	Assigned	Simple
Short Term Non-Fund Based Bank Facilities – Forward Contract	13.77	IVR A3 (IVR A Three)	Assigned	Simple
Total	186.22			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Choice Trading Corporation Private Limited derives strength from promoters' extensive experience in the line of activity, improving Scale of operations and moderate Financial Risk profile. However, these rating strengths remain constrained by geographical Concentration Risk, susceptibility to volatility in raw material prices and foreign exchange fluctuations and intense competition in shrimp Export Business.

Key Rating Sensitivities

Upward Factor

- Significant and sustained improvement in operating income along with profitability leading to improvement in overall financial risk profile of the Company.
- Significant improvement in debt protection parameters and liquidity position of the Company.



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Downward Factor

- Any decline in operating income and/or profitability leading to deterioration in overall financial risk profile of the Company.
- Any deterioration in the debt protection parameters and liquidity position of the Company.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Promoters' extensive experience in the line of activity:

The Company was established in the year 1990 and is promoted by Mr. Jose Thomas and his family. Mr. Jose Thomas has an experience of over four decades in the seafood and shipping services business. The operations of the Company are spearheaded by him as the Managing Director. Vast experience of the promoter in the line of activity has helped the Company to gain and maintain long standing relations with its customers and suppliers. The promoters are further well supported by a team of experienced & qualified professionals.

Improving Scale of operations:

The Scale of operations are in increasing trend as the demand for the Company's cooked shrimp products and for the ready-to-eat meal kit, a value-added product of US based subsidiary, is witnessing an uptrend. The Company on a consolidated basis has reported a total operating income of INR1465.10 Crore in FY21 which has increased from INR1341.40 Crore in FY20 (FY19: INR1293.36 Crore). The EBITDA and PAT margins has also shown an improvement in FY21 and stood at 5.31% and 2.13% respectively as against 3.53% and 0.71% in FY20. Furthermore, the Company has recently started operations of a newly leased unit with a capacity of 30 MT per day from August 2021 at Bapatla in Guntur District, Andhra Pradesh. Moving forward, with ramp up of sales with increased Capacity will lead to increase in sales along with profitability as a result of savings in transportation cost, reduction in labour cost, and increased yield since the raw shrimp are processed immediately after the catch without freezing.

Moderate Financial Risk profile:

The Company's moderate financial risk profile is marked by healthy ANW, moderate gearing and comfortable debt protection metrics on a consolidated basis. The adj. tangible net worth



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of the Company stood at INR153.69 Crore as on March 31, 2021 (FY20: INR114.54 Crore). Gearing of the company stood moderate at 2.99x as on March 31, 2021 (FY20: 3.72x). The Total outside Liabilities/Adj. Tangible Net Worth (TOL/ANW) stood moderate at 4.51x as on March 31, 2021 as against 4.86x as on March 31, 2020. The debt protection metrics of the company remained comfortable marked by Interest Coverage Ratio at 3 times as on March 31, 2021 and Total debt / EBITDA at 5.91 times as on March 31, 2021.

Key Rating Weaknesses

Geographical Concentration Risk:

The Company is an Export Oriented Unit wherein majority of the sales is being made to the USA and Canada which leads to a major concentration risk. Any change in geopolitical scenario and change in Indian export or USA/Canada import policies can have an adverse effect on the company's business.

Susceptibility to volatility in raw material prices and foreign exchange fluctuations:

The profitability of shrimp exporters is susceptible to volatile shrimp prices. It is also exposed to uncertainty related to procurement and prices, as the supply of shrimp from aqua culturists is unpredictable and depends on the demand-supply situation. The availability of shrimps can be impacted by possible outbreak of diseases, which could affect production. The profitability of the Company is susceptible to volatility in the foreign exchange fluctuations to the tune of any unhedged forex exposure.

Intense competition in shrimp Export Business:

The shrimp processing and export business in India is highly fragmented with existence of several large and small players. Competition from neighboring countries, such as Thailand, China, and Vietnam, also persists. However, with existence of the Company's US and Canada based subsidiaries and their established brand name along with tie-ups with the renowned retailers mitigates this risk to a large extent.

Analytical Approach: Consolidated

Consolidation with its two wholly owned foreign subsidiaries, namely Choice Canning Company Inc (USA) and Choice Canning Company (Canada), an Indian subsidiary



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namely Choice Shipping and Logistics Private Limited (Holding 99.80%) and an Indian company namely Indo Island Shipping Pvt Ltd (due to significant influence over the entity). All four entities have common director(s).

Applicable Criteria:

Rating Methodology for Manufacturing Companies

(<https://www.infomerics.com/rating-methodology-detail/manufacturing-companies>)

Financial Ratios & Interpretation (Non-Financial Sector)

(<https://www.infomerics.com/rating-criteria-detail/financial-ratios--implication>)

Liquidity: Adequate

The liquidity of the Company remains adequate marked by the sufficient cash accruals as against the long-term debt repayment obligations. The unencumbered cash and cash equivalent were INR7.97 Crore as on March 31, 2021. Its average fund based working capital utilization for the last 12 months ended Nov 2021 stood at ~95%. With the capex and repayment obligations likely to be low as against the envisaged cash accruals, the liquidity shall remain adequate in the medium term.

About the Company

Choice Trading Corporation Pvt Ltd (CTCPL) was established in June 1990 and is Promoted by Mr. Jose Thomas who has experience of over 45 years in the seafood and shipping business. CTCPL is primarily engaged in processing and export of ready to cook shrimps. The Company is having its owned shrimp processing unit located in Ernakulam, Kerala with a total installed capacity of 13800 MT PA and a leased shrimp processing unit located in Bapatla, Andhra Pradesh with processing capacity of 30 MT per day. The Company does procurement and processing of Shrimps in India and exports majority of its final products to its subsidiaries in US and Canada. The Company is also a shipping agent for Hyundai Merchant Marine Corporation Limited for their South Indian operation.

Subsidiaries in US (Choice Canning Company Inc) and Canada (Choice Canning Company) are 100% subsidiaries. Subsidiary in US import shrimp from parent Company and other processing companies in India and other countries like Thailand, Indonesia etc. It is also engaged into manufacturing of Ready-to-eat Meal-kit with Rice/Pasta, Chicken, vegetables,



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shrimp etc and selling it under brand name 'Tastee Choice'. Choice Canning Co., Canada is engaged in import and distribution of shrimps.

Financials (Consolidated)

(INR Crore)

For the year ended* / As On	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Operating Income	1341.40	1465.10
EBITDA	47.41	77.75
PAT	9.59	31.45
Total Debt	426.56	459.50
Tangible Net Worth	114.84	153.99
Ratios		
EBITDA Margin (%)	3.53	5.31
PAT Margin (%)	0.71	2.13
Overall Gearing Ratio (x)	3.72	2.99

*Classification as per Infomerics' standards.

Financials (Standalone - CTCPL)

(INR Crore)

For the year ended* / As On	31-03-2020 (Audited)	31-03-2021 (Audited)
Total Operating Income	548.76	553.35
EBITDA	-8.03	28.87
PAT	-14.69	8.51
Total Debt	181.60	191.76
Tangible Net Worth	87.03	98.50
Ratios		
EBITDA Margin (%)	-1.46	5.22
PAT Margin (%)	-2.59	1.53
Overall Gearing Ratio (x)	2.23	2.07

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA:

Brickworks Ratings vide its press release dated Dec 30, 2021 has classified the rating under Issuer Not Co-operating category.

Any other information: N.A.



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Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1	Long Term Fund Based Bank Facilities – Pre shipment / Post shipment	Long Term	165.00	IVR BBB- /Stable Outlook	--	--	--
2	Short Term Non-Fund Based Bank Facilities – LC/BG/FBD(LC)	Short Term	7.45	IVR A3	--	--	--
3	Short Term Non-Fund Based Bank Facilities – Forward Contract	Short Term	13.77	IVR A3	--	--	--

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Fund Based Bank Facilities – Pre shipment / Post shipment	--	--	--	165.00	IVR BBB- /Stable Outlook
Short Term Non-Fund Based Bank Facilities – LC/BG/FBD(LC)	--	--	--	7.45	IVR A3
Short Term Non-Fund Based Bank Facilities – Forward Contract	--	--	--	13.77	IVR A3

Annexure 2: List of companies considered for consolidated analysis:

Name of the Company	Extent of Consolidation
Choice Canning Company Inc, USA	Full
Choice Canning Company, Canada	Full
Choice Shipping and Logistics Private Limited	Full
Indo Island Shipping Pvt Ltd	Equity Method



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Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Choice-Trading-lenders-feb22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

