



Press Release

Grand Marine Foods

November 08, 2022

Ratings

Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	34.50 (Including proposed limit of 0.60 crore)	IVR BB; Stable (IVR Double B with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	0.50	IVR A4 (IVR A Four)	Assigned	Simple
Total	35.00 (INR Thirty-five crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Grand marine Foods (GMF) considers the close operational and financial linkages between GMF and Safa Enterprise (Commonly referred as Safa group). Further, the ratings assigned derives comfort from the extensive experienced of its partners in the sea food industry, favourable location for breeding and processing of sea food coupled with improvement in scale of operations of the Safa group in FY22 supported by its diversified customer profile. However, these rating strengths are partially offset by partnership nature of operation of the entity, exposure to intense competition and quality concerns, leveraged capital structure coupled with volatility in raw material prices due to seasonal nature of raw material availability and diseases prone nature of raw materials with high dependence on climatic conditions.

Key Rating Sensitivities:

Upward factors

- Significant growth in scale of business with improvement in topline and profitability leading to rise in gross cash accruals on a sustained basis
- Improvement in the capital structure with improvement in overall gearing to below 3x and /or improvement in debt protection metrics
- Effective working capital management leading to improvement in liquidity



Press Release

Downward Factors

- Dip in operating income and/or moderation in profitability with drop in EBITDA margin to below 3% impacting the gross cash accruals.
- Deterioration in the capital structure with moderation in overall gearing to over 4x and/or deterioration in debt protection metrics.
- Elongation in operating cycle impacting the liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of the partners in the sea food industry**

All the six partners in both firms belong to the same family who are vastly experienced in sea food business, with each of them having more than two decades of experience in the concerned field.

- **Improvement in the scale of operations of the Safa group in FY22**

The revenue of the group was affected in Q4FY20 and in Q1FY21 on account of Covid-19 pandemic. However, the Safa group recorded a steady Y-O-Y improvement in its total operating income to ~Rs.180 crore in FY22 (Rs. ~98 Cr in FY21) supported by enhanced foreign demand of the cultivated vannamei shrimp species coupled with pick-up in economic activities. Further, during Q1FY23 the group has recorded a revenue of ~Rs.76 crore.

- **Diversified customer profile**

The group is a 100% export-oriented unit and exports its products to multiple countries such as USA, China, Vietnam, other Southeast Asian countries, and European countries and is therefore geographically well diversified. The group has strong relationships with its customers.

- **Favourable location for breeding and processing of sea food**

Kerala plays a pivotal role in the development of fisheries and export of marine products, which has already recorded valuable contribution towards the development of national and international trade. Moreover, the Safa group acquires its raw material from the neighbouring states of Tamil Nadu & Karnataka. Raw materials are procured from selected farms and processed as per specifications given by each buyer in the importing countries. Proximity to these farms helps the group reduce cost of transportation and logistics and improves the shelf life of its products. Tamil Nadu has the second longest



Press Release

coastline in the country with rich natural resources in coastal areas for coastal aqua farming and the company's processing facility is located near the aqua farms.

Key Rating Weaknesses:

- **Partnership nature of constitution**

Given the Safa group entities constitution as a partnership firm, it is exposed to the discrete risks including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm upon death, retirement, or insolvency of the partners. Moreover, the partnership nature limits the Safa group's flexibility to tap external channels of financing.

- **Volatility in raw material prices due to seasonal nature of raw material availability and diseases prone nature of raw materials with high dependence on climatic conditions**

The marine food industry sees high fluctuations in the day wise raw material prices, which account for approximately ~80% of the total production cost. There are a variety of lethal viral and bacterial diseases that affect shrimp. A major transfer vector of many of these viruses is the water itself; and thus, any virus outbreak also carries the danger of decimating shrimp living in the wild. Hence, taking care of farmed shrimp is important. In addition, the operations of The Safa group are prone to risks arising on account of changes in climatic conditions.

- **Exposure to intense competition and quality concerns**

The Aquaculture industry is highly fragmented and competitive with the presence of large number of organized and unorganized players. The presence of large number of unorganized players keeps on constraining the bargaining power of organized sector players. Further, the group is also exposed to high risk of losing export orders if the quality of the processed food is not in line with the international food requirements.

- **Leveraged capital structure**

The group has a leveraged capital structure as on the past three account closing dates. The overall gearing ratio moderated from 3.10x as on March 31, 2021 to 3.13x as on March 31, 2022. Further the debt protection metrics of the group deteriorated as indicated by interest coverage ratio at 1.30x as on March 31, 2022 (2.02x as on



Press Release

March 31, 2021). Moreover, the total indebtedness as indicated by TOL/TNW has also moderated from 3.33x as on March 31, 2021 to 3.54x as on March 31, 2022.

Analytical Approach: Combined Approach. For arriving at the rating, Infomerics has combined the business & financial risk profile of Grand Marine Foods & Safa Enterprises, as these entities run under a common management and have strong operational and financial linkages. Further, both the entities are engaged in similar line of business. The firms combined are referred as Safa group hereafter. (List of companies considered for consolidated analysis is given below in Annexure 3)

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity: Adequate

The liquidity position of the Safa group remains adequate as reflected by current ratio of 1.39x as on March 31, 2022. Further, the group has earned a gross cash accrual of Rs. 2.42 crore and is expected to earn about Rs.3.50-4.61 crore during FY23-FY25 which will be adequate to meet its debt service obligations. Moreover, average utilization of the group's fund-based bank limit (on a combined basis) was around ~79% during the last 12 months ending June 2022, indicating a sufficient liquidity buffer. However, generation of envisaged cash accruals is critical from a credit perspective.

About the Company

In 2005, Grand Marine foods, a partnership firm was constituted with the second-generation members of the same family. The Managing partner of GMF is Mr. P.A. Muhamed Sageer. There are six partners, including the managing partner, each having a 16.67% stake in the firm. GMF gradually started processing as well as exporting frozen marine products to countries like Spain, Italy, USA etc. Presently, export sales accounts for the total sales of the Safa group.



Press Release

About the Group:

The Safa group comprise of Grand Marine foods and the Safa Enterprises which is a partnership firm constituted in 1994 and has a consistent record of success in the business of exporting frozen marine products. The SAFA group set up their own production factory in around 2010-11 & started operating on a larger scale.

Financials of Grand Marine foods (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	69.99	150.84
EBITDA	5.69	5.70
PAT	0.35	0.59
Total Debt	37.67	35.71
Tangible Net worth	9.33	9.98
EBITDA Margin (%)	8.12	3.78
PAT Margin (%)	0.50	0.39
Overall Gearing Ratio (x)	4.04	3.58
Interest Coverage Ratio (x)	2.17	1.77

*Classification as per Infomerics' standards.

Financials of Safa Group (Combined):

For the year ended* / As On	(Rs. crore)	
	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	98.18	181.24
EBITDA	6.56	6.81
PAT	0.46	0.70
Total Debt	44.57	44.96
Tangible Net worth	14.36	14.38
EBITDA Margin (%)	6.69	3.76
PAT Margin (%)	0.47	0.39
Overall Gearing Ratio (x)	3.10	3.13
Interest Coverage Ratio (x)	2.01	1.66

Status of non-cooperation with previous CRA: CRISIL ratings vide its press release dated July 30,2022 has moved the rating under issuer not cooperating category due to non-submission of information by the company.

Any other information: Nil



Press Release

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	2.34	IVR BB; Stable	-	-	-
2.	GECL	Long Term	3.43	IVR BB; Stable	-	-	-
3.	ECLGS	Long Term	2.93	IVR BB; Stable	-	-	-
4.	EPC	Long Term	16.00	IVR BB; Stable	-	-	-
5.	EPC (Proposed)	Long Term	0.60	IVR BB; Stable	-	-	-
6.	FBP	Long Term	5.00	IVR BB; Stable	-	-	-
7.	Expo Gold Card	Long Term	4.20	IVR BB; Stable	-	-	-
8.	Bank Guarantee	Short Term	0.50	IVR A4	-	-	-

Name and Contact Details of the Rating Analyst:

Name: Prateek Das

Tel: (033) 46022266

Email: prateek.das@infomerics.com

Name: Mr. Avik Podder

Tel: (033) 46022266

Email: apodder@infomerics.com

About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com



Press Release

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Term Loan	-	-	FY2025	2.34	IVR BB; Stable
Long Term Fund Based Limits - GECL	-	-	FY2025	3.43	IVR BB; Stable
Long Term Fund Based Limits – ECLGS (Extension)	-	-	FY2025	2.93	IVR BB; Stable
Long Term Fund Based Limits – EPC	-	-	-	16.00	IVR BB; Stable
Long Term Fund Based Limits – EPC Proposed	-	-	-	0.60	IVR BB; Stable
Long Term Fund Based Limits – FBP	-	-	-	5.00	IVR BB; Stable
Long Term Fund Based Limits – Export Gold Card	-	-	-	4.20	IVR BB; Stable
Short Term Non-Fund Based Limits – Bank Guarantee	-	-	-	0.50	IVR A4

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Grand-Marine-nov22.pdf>

Annexure 3: List of companies considered for consolidated analysis:

Name of the Company	Consolidation Approach
Grand marine Foods	Full consolidation
Safa Enterprise	Full consolidation

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



Press Release

Applicable



Press Release

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.

