



## Press Release

### Nila Sea Foods Exports (NSFE)

December 31, 2021

**Ratings:**

(INR Crore)

Instrument / Facility	Amount	Ratings	Rating Action
Long Term Bank Facility – Term Loans	1.93 (Decreased from 3.88)	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed
Short Term Bank Facility – Packing Credit/Packing Credit in Foreign Currency	50.00	IVR A4+ (IVR Single A Four Plus)	Reaffirmed
Short Term Bank Facility – Foreign Bills Purchased	43.00	IVR A4+ (IVR Single A Four Plus)	Reaffirmed
<b>Total</b>	<b>94.93</b>		

**Details of Facilities are in Annexure 1**

**Detailed Rationale:**

The reaffirmation of the rating assigned to the bank facilities of Nila Sea Foods Exports (NSFE) continues to derive strength from significant partner's experience in the sea-food business, reputed clientele and supplier with long standing relationship, range bound operating margins with comfortable coverage indicators and healthy demand for Indian shrimps in the offshore market. However, the rating strengths are partially offset by high working capital intensity impacting the overall gearing levels, high geographical concentration in revenue, highly competitive & regulated industry, puts pressure on margins and seasonal nature of raw material availability and diseases prone with high dependence on climatic conditions.

**Key Rating Sensitivities:**

**Upward Factors:**

- Substantial improvement in scale of operations and profitability margins while maintaining the debt protection metrics on a sustained basis.
- Improvement in business risk profile with reduced customer concentration and geographic concentration

**Downward Factors:**

- Any decline in the revenue and/or profitability leading to deterioration in debt protection metrics.



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### **Key Rating Drivers with detailed description**

#### **Key Rating Strengths:**

##### **Significant partner's experience in the sea-food business:**

The Group (Nila Sea Foods Group of Companies) was established in 1992 by the late Mr. D. Chandran and at present it is run under the leadership of his family members, i.e., Mrs. Nilavathi C, Mr. Selwin Prabhu and Mr. Aminath Prabu. The promoter family has more than three decades of experience in the sea-food business, which has aided in understanding the changing dynamics of the industry & establishing a strong relationship with customers and suppliers. The partners have long and satisfactory business relations with key customers, helping the firm in repeated orders. Likewise, it has a base of suppliers with whom they have been dealing since inception. The Firm's operations are well supported by a team of experienced & qualified professionals.

##### **Reputed clientele and supplier with long standing relationship:**

Firm has long and satisfactory relationships with key customers who have been associated with them since establishment. The payment terms with customers are mostly through PCFC and for long standing customers it generally accepts Telegraphic Transfer. NSFE's regularly obtains credit reports for those customers and hence no defaults on its export bills. The Firm has a diversified base of suppliers with whom they are dealing since inception.

##### **Range bound operating margins and comfortable coverage indicators:**

NSFE's operating margins remained range bound, with an average of 6.42% for the last three years (i.e., FY2019 - FY2021). Further the coverage indicators remained comfortable with the interest coverage of 2.32x in FY2021 (FY20: 1.97x).

##### **Healthy demand for Indian shrimps in the offshore market:**

India is one of the largest exporters of shrimps to the USA as it is the major producer of farmed shrimps in the world and accounts for almost 6% of total fish production. During 1H FY22, NSFE reported sales of INR87.76 Crore (H1FY21: INR64.79 Crore). Further demand is expected to remain favourable in the subsequent quarters of FY22 also. With the rise in demand for disease-free and healthy shrimps, India has become one of the largest shrimp exporters to the US and the European Union.



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### **Key Rating Weaknesses:**

#### **High working capital intensity impacting the overall gearing levels:**

NSFE's operating cycle has elongated to 147 days in FY21 when compared to 154 days in FY20 and 132 days in FY19 primarily on account of higher inventory levels. Inventory levels stood high and reduced marginally to 86 days in FY21 as against (108 days). The debtors' days stood high and increased marginally to 63 days in FY21 as against (47 days). NSFE's total debt, which includes the working capital limits and term loan, reduced marginally to INR 44.00 Crore as on March 31st, 2021 (INR 58.88 Crore). Overall gearing stood modest at 1.70x as on March 31st, 2021 (2.56x).

#### **High geographical concentration in revenue:**

NSFE's customer profile is concentrated majorly in North America, as the revenue contribution from USA and Canada which accounted for almost 73% in FY21 as against 64% in FY20 indicating high geographic concentration risk. Any adverse changes in the regulatory requirements from the countries can impact the revenue generation potential.

#### **Highly competitive & regulated industry, puts pressure on margins:**

The firm faces stiff competition from other domestic and international players, which can limit bargaining power with the customer. In addition to the domestic competition, NSFE faces competition from countries like Ecuador, Indonesia, and Vietnam, which are major global producers of Vanna Mei shrimp. Also, the profitability of shrimp exporters is susceptible to volatile shrimp prices and forex rates. 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. Moreover, many export markets implement regulations from time to time (including anti-dumping duty, food safety regulations and quality requirements).

#### **Seasonal nature of raw material availability and diseases prone with high dependence on climatic conditions:**

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 NSFE are prone to risks arising on account of changes in climatic condition.



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**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Manufacturing Companies.

Financial Ratios & Interpretation (Non-Financial Sector)

### **Liquidity – Adequate**

The liquidity remains adequate marked by moderate gross net cash accruals as against the long-term debt repayment obligation. Further, the company had gross cash accruals of INR 4.06 Crore in FY21. The overall average utilization of the fund-based stood around ~55% for the 12 months ended November 2021. Cash and bank balance amounted to INR 1.25 Crore as on 31<sup>st</sup> March 2021. The current ratio stood 1.23x as on 31<sup>st</sup> March 2021.

### **About the Company:**

Tamil Nadu based, Nila Sea Foods Exports, is engaged into processing and export of frozen marine products (mainly cultured shrimps). The partnership entity is managed and run by Mrs. Nilavathi C, Mr. Selwin Prabhu C and Mr. Aminath Prabu Emmanuvel. It forms a part of the Nila Group of Companies.

### **Financials:**

(INR Crore)

For the year ended/ As On	31-03-2020	31-03-2021
	(Audited)	(Audited)
Total Operating Income	111.77	129.00
EBITDA	7.50	6.33
PAT	1.27	1.30
Total Debt	58.88	44.00
Adjusted Tangible Net-worth	23.03	25.84
<b>Ratios</b>		
EBITDA Margin (%)	6.82	4.96
PAT Margin (%)	1.66	1.46
Overall Gearing Ratio (x)	2.56	1.70

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** NA



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### Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (01/Oct/20)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Bank Facility – Term Loans	Long Term	1.93	IVR BB+/Stable	IVR BB+/Stable	--	--
2.	Short Term Bank Facility – Packing Credit/ Packing Credit in Foreign Currency	Short Term	50.00	IVR A4+	IVR A4+	--	--
3.	Short Term Bank Facility – Foreign Bills Purchased	Short Term	43.00	IVR A4+	IVR A4+	--	--

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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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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





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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 Bank Facility – Term Loans	--	--	Up to Mar 2023	1.93	IVR BB+/Stable
Short Term Bank Facility – Packing Credit / Packing Credit in Foreign Currency	--	--	--	50.00	IVR A4+
Short Term Bank Facility – Foreign Bills Purchased	--	--	--	43.00	IVR A4+

### Annexure 2: List of companies considered for consolidated analysis: Not Applicable

### Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Nila-SeaFoods-lenders-dec21.pdf>

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

### Annexure 5: Complexity level of the rated Instruments/Facilities:

Sr. No.	Instrument	Complexity Indicator
1	Long Term Bank Facility –Term Loans	Simple
2	Short Term Bank Facility – Packing Credit/Packing Credit in Foreign Currency	Simple
3	Short Term Bank Facility – Foreign Bills Purchased	Simple

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it based on complexity and a note thereon is available at <https://www.infomerics.com/>.