

## Rating Advisory

May 22, 2020 | Mumbai

### Apex Frozen Foods Limited

#### Advisory as on May 22, 2020

This rating advisory is provided in relation to the rating of Apex Frozen Foods Limited

The key rating sensitivity factors for the rating include:

- Capacity utilisation from the enhanced capacities
- Diversification of customer profile and geographical concentration in revenue
- Scale of operations and profitability
- Working capital management
- Capital expenditure (capex) plans and its funding

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Apex Frozen Foods Limited (AFFL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If AFFL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circular SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016 and SEBI/HO/MIRSD/MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

#### About The Company

AFFL, based in Kakinada (Andhra Pradesh), was set up as a partnership firm in 1996, converted into a private limited company in 2012, and reconstituted as a public limited company in 2017. It processes and exports shrimps, mainly the Vannamei variety. It was listed on the Bombay Stock Exchange and National Stock Exchange of India on September 04, 2017. Mr K Satyanarayana Murthy and Mr. Subrahmanya Chowdary are the promoters.

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## Rating Rationale

July 05, 2019 | Mumbai

### Apex Frozen Foods Limited

*Ratings Reaffirmed*

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.114.77 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL A-/Stable (Reaffirmed)</b>
<b>Short Term Rating</b>	<b>CRISIL A2+ (Reaffirmed)</b>

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL's ratings on the bank facilities of Apex Frozen Foods Limited (AFFL) continue to reflect the extensive experience of the promoters, and the company's healthy operating efficiency and strong financial risk profile. These strengths are partially offset by susceptibility to risks inherent in the aquaculture business and to fluctuations in foreign exchange (forex) rates.

#### Key Rating Drivers & Detailed Description

##### **Strengths**

##### **\* Extensive experience of the promoters**

Benefits from the promoters' experience of three decades, and their strong understanding of market dynamics and healthy relations with customers and suppliers should continue to support the business.

##### **\* Healthy operating efficiency**

Advantages from integrated operations - with own hatcheries and farming, processing unit, cold storage, and logistics - should also continue to support business risk profile. Moreover, working capital cycle is efficient, with gross current assets, debtors, and inventory remaining comfortable at 110, 39, and 49 days, respectively, as on March 31, 2019.

##### **\* Strong financial risk profile**

Financial risk profile is likely to remain healthy over the medium term. Networth was comfortable and gearing low at Rs 355 crore and 0.29 time, respectively, as on March 31, 2019. Debt protection metrics have been robust, too, with interest coverage and net cash accrual to total debt ratios of 13.7 times and 0.7 time, respectively, in fiscal 2019.

##### **Weaknesses**

##### **\* Susceptibility to risks inherent in the aquaculture business**

The Indian seafood industry has been witnessing significant growth in the past few years, led by increasing share of aquaculture. However, susceptibility to outbreak of diseases, adverse climatic conditions, natural calamities, and regulatory changes which may significantly impact the credit risk profile of players such as AFFL persists.

##### **\* Vulnerability to fluctuations in forex rates**

Revenue is entirely derived from exports, and since only about 20% of foreign currency exposure is hedged, any sharp fluctuation in forex rates may significantly impinge on realisations and profitability.

##### **Liquidity**

Liquidity is expected to remain adequate over the medium term. Cash accrual - projected at Rs 80-100 crore per annum over the medium term - should comfortably cover yearly maturing debt of Rs 5-6 crore. Bank limit utilisation averaged 91% in the 12 months through January 2019. Expected enhancement of Rs 20 crore in bank limit will, likely, be used to support working capital.

## **Outlook: Stable**

CRISIL believes AFFL will continue to benefit from the extensive experience of its promoters. The outlook may be revised to 'Positive' if better utilisation of enhanced capacity, leading to a substantial and sustained increase in revenue and profitability, and diversification in geographic and customer profiles strengthen key credit metrics. The outlook may be revised to 'Negative' if disease outbreak in shrimps, adverse government regulations, stretch in working capital cycle, or any large debt-funded capital expenditure weakens financial risk profile.

## **About the Company**

AFFL, based in Kakinada (Andhra Pradesh), was set up as a partnership firm in 1996, converted into a private limited company in 2012, and reconstituted as a public limited company in 2017. It processes and exports shrimps, mainly the Vannamei variety. It was listed on the Bombay Stock Exchange and National Stock Exchange of India on September 04, 2017. Mr K Satyanarayana Murthy and Mr. Subrahmanya Chowdary are the promoters.

## **Key Financial Indicators**

Particulars	Unit	2019*	2018
Revenue	Rs crore	874.7	998.6
Profit After Tax (PAT)	Rs crore	60.8	69.98
PAT Margin	%	6.95	7
Adjusted debt/adjusted networth	Times	0.29	0.28
Interest coverage	Times	13.7	14.9

\*Provisional

## **Status of non cooperation with previous CRA**

AFFL has not cooperated with ICRA, which has classified it as issuer not cooperative vide release dated December 28, 2018. The reason provided by ICRA is non-furnishing of information by AFFL for monitoring of ratings.

**Any other information:** Not applicable

## **Note on complexity levels of the rated instrument:**

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## Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Rating assigned with outlook
NA	Export funding*	NA	NA	NA	30	CRISIL A2+
NA	Export funding^	NA	NA	NA	70	CRISIL A2+
NA	Foreign currency term loan	NA	NA	Sept-2020	5.17	CRISIL A-/Stable
NA	Proposed long-term bank loan facility	NA	NA	NA	2.1	CRISIL A-/Stable
NA	Non-fund-based limit@	NA	NA	NA	7.5	CRISIL A2+

\*Interchangeable between packing credit in foreign currency, export packing credit, foreign bill discounting, and letter of credit

^Interchangeable between packing credit in foreign currency, export packing credit, foreign bill purchase, and standby working capital limit

@Includes letter of credit and standby letter of credit facilities

## Annexure - Rating History for last 3 Years

Instrument	Current			2019 (History)		2018		2017		2016		Start of 2016
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	107.27	CRISIL A- /Stable/ CRISIL A2+	05-03-19	CRISIL A- /Stable/ CRISIL A2+	02-02-18	CRISIL A- /Stable/ CRISIL A2+					Suspended/ Suspended
Non Fund-based Bank Facilities	LT/ST	7.50	CRISIL A2+	05-03-19	CRISIL A2+	02-02-18	CRISIL A2+		--		--	--

All amounts are in Rs.Cr.

## Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Export Funding*	30	CRISIL A2+	Export Funding*	30	CRISIL A2+
Export Funding^	70	CRISIL A2+	Export Funding^	70	CRISIL A2+
Foreign Currency Term Loan	5.17	CRISIL A- /Stable	Foreign Currency Term Loan	5.17	CRISIL A- /Stable
Non-Fund Based Limit@	7.5	CRISIL A2+	Non-Fund Based Limit@	7.5	CRISIL A2+
Proposed Long Term Bank Loan Facility	2.1	CRISIL A- /Stable	Proposed Long Term Bank Loan Facility	2.1	CRISIL A- /Stable
<b>Total</b>	<b>114.77</b>	<b>--</b>	<b>Total</b>	<b>114.77</b>	<b>--</b>

\*Interchangeable between packing credit in foreign currency, export packing credit, foreign bill discounting, and letter of credit

^Interchangeable between packing credit in foreign currency, export packing credit, foreign bill purchase, and standby working capital limit

@Includes letter of credit and standby letter of credit facilities

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[CRISILs Approach to Financial Ratios](#)

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