

## **Rating Advisory**

July 19, 2019 | Mumbai

Advisory as on July 19, 2019

This rating advisory is provided in relation to the rating of Sharat Industries Limited.

CRISIL vide its publication dated June 29, 2019 highlighted the aspect of non-co-operation by Sharat Industries Limited.

Sharat Industries Limited has now initiated cooperation, has confirmed timeliness in debt servicing for June 2019 and has also provided 'No Default Statement' dated July 18, 2019.

You may access the Rating Rationale as appended below.

## Rating Rationale

October 26, 2018 | Mumbai

### Sharat Industries Limited Ratings Reaffirmed

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.77 Crore</b>
<b>Long Term Rating</b>	<b>CRISIL BB+/Stable (Reaffirmed)</b>
<b>Short Term Rating</b>	<b>CRISIL A4+ (Reaffirmed)</b>

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL has reaffirmed its 'CRISIL BB+/Stable/CRISIL A4+' ratings on the bank facilities of Sharat Industries Limited (SIL)

The ratings continues to reflect the extensive experience of SIL's promoters in the seafood industry and an above-average financial risk profile. These rating strengths are partially offset by the susceptibility of the operating margin to volatility in input prices and foreign exchange (forex) rates, and to regulatory changes in the export countries.

#### Analytical Approach

CRISIL has treated unsecured loans from directors to the extent of Rs.5.23 crore as neither debt nor equity, as these funds will remain in business.

#### Key Rating Drivers & Detailed Description

##### Strengths

\* **Extensive experience of promoters in the seafood exports industry:** Benefits from promoters' long-standing presence of more than two decades in the processing and export of marine products has helped the company to diversify its customer base and establish healthy relationships. The company started its operations with processing of shrimps and then ventured into manufacturing of feed for shrimps.

\* **Moderate financial risk profile:** The financial risk profile is moderate marked by comfortable networth of Rs 50.01 crore and gearing ratio of 0.75 time as on March 31, 2018. Debt protection metrics were moderate with interest cover and net cash accrual to total debt ratios of 1.87 times and 10%, respectively, for fiscal 2018.

##### Weaknesses

\* **Susceptibility of operating margin to volatility in input prices and forex rates:** The marine export market is marked by uncertainty, though more pronounced in supply than in demand. The supply is affected adversely because of seasonal conditions, lack of quality seeds and feed and rampant diseases. This results in volatility in the raw material prices based on the supply during the year. Also, the company derives significant portion of its revenue from the export market which exposes its operating profitability to fluctuations in the forex rates.

\* **Regulatory changes in export destinations:** Food product imports are subject to high quality standards in developed countries of Europe and USA. Since the company derives majority of its export revenues from these destinations, any adverse quality standards set by these countries or customers could affect the business risk profile.

##### Outlook: Stable

CRISIL believes that SIL will continue to benefit from the extensive industry experience of its promoters and its integrated operations. The outlook may be revised to 'Positive' if the company's business risk profile improves, driven by an increase in scale of operations and profitability, while maintaining its healthy financial risk profile. The outlook may be revised to 'Negative' if there is a decline in cash accrual or a stretch in its working capital cycle, or large capital expenditure, weakening the financial risk profile, especially the liquidity.

## About the Company

SIL was originally set up in 1990 as a private limited company by Mr S Prasad Reddy; this company was reconstituted as public limited company in 1992. SIL processes and exports shrimp and also manufacture and sells feed for shrimp.

The company is listed on National Stock Exchange.

## Key Financial Indicators

Particulars	Unit	2018	2017
Revenue	Rs.Cr	148.98	161.17
Profit After Tax (PAT)	Rs.Cr	1.07	1.69
PAT Margins	%	0.7	1.0
Adjusted Debt/Adjusted Networkth	Times	0.75	0.62
Interest coverage	Times	1.87	1.42

**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	Bank Guarantee	NA	NA	NA	1	CRISIL A4+
NA	Bill Discounting	NA	NA	NA	10	CRISIL A4+
NA	Cash Credit	NA	NA	NA	10	CRISIL BB+/Stable
NA	Inland/Import Letter of Credit	NA	NA	NA	5	CRISIL A4+
NA	Long Term Loan	NA	NA	Mar-2020	10	CRISIL BB+/Stable
NA	Packing Credit	NA	NA	NA	29	CRISIL A4+
NA	Proposed Working Capital Facility	NA	NA	NA	12	CRISIL BB+/Stable

## Annexure - Rating History for last 3 Years

		Current		2018 (History)		2017		2016		2015		Start of 2015
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	71.00	CRISIL BB+/Stable/ CRISIL A4+			06-10-17	CRISIL BB+/Stable/ CRISIL A4+	22-08-16	CRISIL BB+/Stable/ CRISIL A4+	12-05-15	CRISIL BB+/Stable/ CRISIL A4+	CRISIL BB+/Stable/ CRISIL A4+
Non Fund-based Bank Facilities	LT/ST	6.00	CRISIL A4+			06-10-17	CRISIL A4+	22-08-16	CRISIL A4+	12-05-15	CRISIL A4+	CRISIL A4+

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
Bank Guarantee	1	CRISIL A4+	Bank Guarantee	1	CRISIL A4+
Bill Discounting	10	CRISIL A4+	Bill Discounting	10	CRISIL A4+
Cash Credit	10	CRISIL BB+/Stable	Cash Credit	10	CRISIL BB+/Stable
Inland/Import Letter of Credit	5	CRISIL A4+	Inland/Import Letter of Credit	5	CRISIL A4+
Long Term Loan	10	CRISIL BB+/Stable	Long Term Loan	10	CRISIL BB+/Stable
Packing Credit	29	CRISIL A4+	Packing Credit	29	CRISIL A4+
Proposed Working Capital Facility	12	CRISIL BB+/Stable	Proposed Working Capital Facility	12	CRISIL BB+/Stable
<b>Total</b>	<b>77</b>	<b>--</b>	<b>Total</b>	<b>77</b>	<b>--</b>

## Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[CRISILs Criteria for rating short term debt](#)

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