

## Press Release

### Malpefresh Marine Export Private Limited

August 30, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 30.00 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs. 30.00 crore bank facilities of Malpefresh Marine Export Private Limited (MMPL). The outlook is '**Stable**'.

Incorporated in October 2014, Malpefresh Marine Export Private Limited (MMPL) is Udupi (Karnataka) based company which is promoted by Mr. Mohammad Ibrahim. The company is engaged in procurement, freezing, final packing, storing and exporting of fish and fishery products. The company commenced its commercial operations in August 2017 onwards. The company has a processing plant in Udupi with an installed capacity of 83 metric tons of raw materials per day.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the MMPL to arrive at this rating.

### Key Rating Drivers

#### Strengths

##### • Experienced management

MMPL was incorporated in 2014. Mr. Mohammed Ibrahim has more than two decades of experience in the sea food industry, while other management has more than 15 years of experience in the sea food industry. The promoter is also running another partnership firm under the name 'Quality Exports' in Goa from past two decades. Experience of the management has helped the company to grow over the years. MMPL commenced its operations in FY2017 and achieved revenues of Rs.59.37 crore within 8 months of operations. MMPL majorly exports to South East Asian countries such as Vietnam, and India's exports to Vietnam are about 25 percent in FY2018 which grew at 63 percent in FY2018 over FY2017 at USD 1178.7 million. Acuite believes that MMPL will continue to enjoy the growth trajectory supported by healthy relations with the clientele and the healthy demand for fish and allied species from Vietnam and China.

##### • Moderate financial risk profile

The financial risk profile is marked by high gearing, moderate net worth and comfortable debt protection metrics. Gearing is high at 2.30 times as on March 31, 2018 deteriorated from 1.52 times as on March 31, 2017 due to debt funded capital expenditure. Debt protection metrics of interest coverage ratio (ICR) is comfortable at 4.47 times in FY2018; and net cash accruals to total debt (NCA/TD) is moderate at 0.24 times in FY2018. The net worth stood at Rs.7.91 crore as on 31 March, 2018, improved by Rs.2.91 crore as compared to FY2017; it was mainly due to accretion of profit to internal accruals. Acuite believes that the financial risk profile is expected to be at similar levels over the medium term in the absence of major debt funded capex.

##### • Moderate working capital management

MMPL has moderate working capital operations as evident from Gross Current Asset (GCA) days of 81 as on March 31, 2018. The company's inventory days stood at 42 in FY2018. The company gives credit up to two months to its customers. Moderate working capital management helps in managing the business with minimal amount of working capital debt of about Rs.6.50 crore, and the bank lines are utilised at about 80 percent over six months through July 2018. Acuite believes that the working capital operations of the company will remain comfortable as evident from comfortable collection mechanism and comfortable inventory levels in the business.

## Weaknesses

- **Intense competition from domestic and international players**

The business is highly exposed to changes in the government policies in exporting countries and competitive pressure from domestic and international players. The sea food industry is also susceptible to diseases and climatic changes.

- **Lower realization to impact profitability of exporters; rupee weakness to provide cushion**

Currently, realization on exported products is almost four times the domestic realization because of significant difference in product baskets. In fiscal 2017, shrimps accounted for 38 percent of total volume and 65 percent of total value of exports, while fresh water catla, rohu and tuna dominated the domestic sales. The difference in realizations significantly rose in fiscal 2014 when export of shrimps, a high-realization product, surged to ~58 percent and increased overall export realizations. The domestic market, estimated at Rs.950 billion in fiscal 2018, is highly unorganised and fragmented, which makes it intensely competitive and consequently a low-margin industry. The exports market, estimated at Rs.450 billion, is regulated and highly organised. The difference in the share of organised players is the major reason for a yawning gap in realizations between domestic players and exporters. In fiscal 2018, the average realization for shrimps rose at ~1 percent in dollar terms, but in rupee terms, it fell by ~3 percent as the local currency appreciated. A decline in demand would lower dollar realizations by ~10 percent this fiscal, impacting the margins of exporters. In fiscal 2019, 2 percent depreciation in the rupee and reduction in hatchery seed prices (which represent over 75 percent of revenue) will partially offset a fall in dollar realizations.

## Outlook: Stable

Acuite believes that the outlook on MMPL will remain 'Stable' over the medium term on account of the experience of the promoters in the sea food industry and good revenue profile. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenues while maintaining its profitability and improving its capital structure. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its working capital cycle due to higher than expected inventory levels or delay in receivables leading to pressure on its liquidity.

## About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	59.37	0.00
EBITDA	Rs. Cr.	5.56	0.00
PAT	Rs. Cr.	2.91	0.00
EBITDA Margin	(%)	9.37	0.00
PAT Margin	(%)	4.90	0.00
ROCE	(%)	21.86	0.00
Total Debt/Tangible Net Worth	Times	2.30	1.52
PBDIT/Interest	Times	4.47	0.00
Total Debt/PBDIT	Times	3.21	0.00
Gross Current Assets (Days)	Days	81	0

## Status of non-cooperation with previous CRA (if applicable)

None

## Any other information

None

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Not Applicable

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB- / Stable
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE BB- / Stable
Proposed Bills Discounting	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BB- / Stable

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### About Acuité Ratings & Research:

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