

Press Release

Malpefresh Marine Export Private Limited

September 06, 2019



Rating Upgraded

| | |
|-------------------------------------|--|
| Total Bank Facilities Rated* | Rs. 30.00 Cr. |
| Long Term Rating | ACUITE BB/ Stable (Upgraded from ACUITE BB- / Stable) |

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE BB-**' (**read as ACUITE double B minus**) on the Rs.30.00 crore bank facilities of MALPEFRESH MARINE EXPORT PRIVATE LIMITED. The outlook is '**Stable**'.

Incorporated in October 2014, Malpefresh Marine Export Private Limited (MMPL) is an Udupi (Karnataka) based company promoted by Mr. Mohammad Ibrahim. The company is engaged in procurement, processing, freezing and final packing, storing, 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

Acuité has considered the standalone business and financial risk profile of MMPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

MMPL was incorporated in 2014 by Mr. Mohammed Ibrahim, who 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. MMPL commenced its operations in FY2017 and achieved revenues of Rs.59.37 crore within 8 months of operations. MMPL's major exports are to South East Asian countries such as Vietnam, Malaysia and Thailand. Improving penetration with the existing clients and new client addition lead to annualized YoY growth of about 24 per cent. Acuité 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 in the Thailand and Vietnam.

• Moderate financial risk profile

MMPL has a moderate financial risk profile, marked by moderate gearing and total outside liabilities to tangible networth (TOL/TNW). Its gearing is moderate due to initial period of operations. Gearing and TOL/TNW are moderate at 1.97 times and 2.77 times on 31 March, 2019 (provisional), as against 2.31 times and 3.23 times in the previous year, respectively. The company incurred capex of Rs. 26.19 crore over the last two years to set up the facilities and generated cash accruals of Rs.9.48 crore over the same period. With no significant capex plans and comfortable cash accruals, the capital structure is expected to improve.

The revenues of the company stood at Rs. 110.30 crore in FY2019 (provisional), while its operating margins were moderate at 6.96 per cent. The moderate profitability levels led to comfortable debt protection measures of net cash accruals to total debt (NCA/TD) and interest coverage ratio for FY2019 (provisional) of 0.22 times and 3.56 times, respectively. The total debt of the company consists of long- term debt to the tune of Rs. 6.42 crore, short- term debt to the tune of Rs. 14.45 crore and unsecured loans to the tune of Rs.1.44 crore. Acuité believes that with comfortable accruals and no significant debt- funded capex, the financial risk profile will improve over the medium term.

- **Efficient working capital management**

MMPL's working capital is efficiently managed as is reflected by its gross current asset (GCA) days of around 76 days as on 31 March, 2019 (provisional). The company maintains inventory of around 30-35 days, owing to the demand and the nature of its products. MMPL extends a credit period of around 30 days to its customers and pays the suppliers in a week's time. As a result, the reliance on working capital limits is high, with utilisation of its bank lines at an average of 81 per cent over the last six months through July 2019. Acuite believes that the operations continue to maintain at similar levels owing to business cycle.

Weaknesses

- **Intense competition from domestic and international players and exposure to foreign currency risk**

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. Also, because 94 per cent of the company's revenues are generated through exports, the exposure to foreign currency risk is very high.

Liquidity Position

The liquidity position of MMPL is adequate, marked by comfortable net cash accruals of Rs. 5.17 crore on 31 March, 2019 (provisional). Its accruals are expected in the range of Rs. 6 crore- Rs. 7.8 crore, against which its repayment obligations are about Rs. 0.79 crore. Its operations are efficiently managed with GCA of 76 days. Moderate inventory and efficient realisation of its receivables lead to high utilisation of its bank limits at around 81 per cent for six months through July, 2019. The company has unencumbered cash and bank balances of Rs. 0.54 crore as on 31 March, 2019 (provisional). Acuité believes that going forward, the liquidity position of the company will continue to remain comfortable in the medium term on account comfortable cash accruals and absence any debt- funded capex.

Outlook: Stable

Acuite believes that MMEPL will continue to benefit over the medium term due to its experienced management. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its operating margins. 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 | FY19 (Prov.) | FY18 (Actual) |
|-------------------------------|---------|--------------|---------------|
| Operating Income | Rs. Cr. | 110.30 | 59.12 |
| EBITDA | Rs. Cr. | 7.68 | 5.32 |
| PAT | Rs. Cr. | 3.82 | 2.88 |
| EBITDA Margin | (%) | 6.96 | 8.99 |
| PAT Margin | (%) | 3.47 | 4.88 |
| ROCE | (%) | 20.81 | 21.86 |
| Total Debt/Tangible Net Worth | Times | 1.97 | 2.31 |
| PBDIT/Interest | Times | 3.56 | 4.46 |
| Total Debt/PBDIT | Times | 3.01 | 3.22 |
| Gross Current Assets (Days) | Days | 76 | 82 |

Status of non-cooperation with previous CRA

ICRA, vide its press release dated May 14, 2019, had denoted the rating of Malpefresh Marine Export private Limited as 'ICRA B / Stable'; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Application of Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>
Rating History (Upto last three years)

| Date | Name of Instrument / Facilities | Term | Amount (Rs. Cr.) | Ratings/Outlook |
|-------------|-----------------------------------|-----------|------------------|--------------------------------|
| 30-Aug-2018 | Term Loan | Long Term | 10.00 | ACUITE BB- / Stable (Assigned) |
| | FBN/FBP/FBD/PSFC/FBE | Long Term | 9.00 | ACUITE BB- / Stable (Assigned) |
| | Proposed Foreign Bill Discounting | Long Term | 11.00 | ACUITE BB- / Stable (Assigned) |

***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 Loan | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE BB / Stable (Upgraded) |
| FBN/FBP/FBD/PSFC /FBE | Not Applicable | Not Applicable | Not Applicable | 20.00 | ACUITE BB / Stable (Upgraded) |

Contacts

| Analytical | Rating Desk |
|--|---|
| Srihari Adari Head - Corporate and Infrastructure Sector Ratings Tel: 040-40042327 srihari.adari@acuite.in | Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in |
| P Krishi Keyan Analyst - Rating Operations Tel: 040-40274590 krishi.keyan@acuite.in | |

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.