

Press Release

Malpefresh Marine Export Private Limited

December 03, 2020



Rating Upgraded, Withdrawn and Assigned

Total Bank Facilities Rated*	Rs.30.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable (Upgraded, Withdrawn and Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BB+** (read as **ACUITE double B plus**) from '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.20.00 crore bank facilities, assigned the long-term rating of '**ACUITE BB+** (read as **ACUITE double B plus**) on the Rs.10.00 crore bank facilities of Malpefresh Marine Export Private Limited (MMPL). The outlook is '**Stable**'. Acuité has also upgraded & withdrawn the long-term rating of '**ACUITE BB+** (read as **ACUITE double B plus**) from '**ACUITE BB**' (read as **ACUITE double B**) on the Rs.10.00 crore bank facilities of MMPL.

The upgrade in the rating reflects the stabilization in operations with significant improvement in the profitability levels in FY2020 (Provisional) due to certain value additions in the products. The rating also factors the comfortable financial risk profile with comfortable debt protection metrics and adequate liquidity position marked by judicious utilization of the working capital facilities.

About the Company

Udupi (Karnataka) - based, MMPL was incorporated in 2014 and commenced its operations in August, 2017. The company is engaged in procurement, processing, freezing and final packing, storing, exporting of fish and fishery products. The company is promoted by Mr. Moulana Ibrahim, Mr. Sidga Mohammed Ibrahim, Mr. Antonio Luis Felix Rodrigues, Mr. Suresh P. Shetty, Mr. Sathish Shetty and Mr. Krishna Prasad. MMPL has a processing plant in Udupi with an installed capacity of 83 MT per day.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. Moulana Ibrahim, Mr. Sidga Mohammed Ibrahim, Mr. Antonio Luis Felix Rodrigues, Mr. Suresh P. Shetty, Mr. Sathish Shetty and Mr. Krishna Prasad, have over two decades of experience in the seafood industry. The extensive experience has enabled the company to forge healthy relationships with customers and suppliers. MMPL's major exports are to South East Asian countries like China, Myanmar, Philippines, Vietnam, Malaysia, Thailand, etc., Middle-East countries like Dubai and countries in the European Union such as Spain, Italy, Portugal, etc.

Acuité believes that the promoters experience and healthy relationship with customers and suppliers, coupled with healthy demand for fish is expected to support its business risk profile over the medium term.

- **Comfortable financial risk profile**

MMPL's financial risk profile is comfortable marked by improving gearing (debt to equity ratio), moderate total outside liabilities to total net worth (TOL/TNW) and comfortable debt protection metrics. The gearing improved and stood at 1.51 times as on 31st March, 2020 (Provisional) against 2.67 times as on 31st March, 2019. TOL/TNW stood at 2.03 times as on 31st March, 2020 (Provisional) against 3.15 times as on 31st March, 2019. Tangible net worth of the company stood modest at Rs.16.17 Cr as on 31st March, 2020 (Provisional) against Rs.10.27 Cr as on 31st March, 2019. Of the total debt of Rs.24.49 Cr as on 31st March, 2020 (Provisional), long-term debt stood at Rs.4.50 Cr, short-term debt stood at Rs.18.55 Cr and unsecured loans stood at Rs.1.44 Cr. Debt protection metrics of interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) stood comfortable at 9.05 times and 0.31 times respectively in FY2020 (Provisional). The company reported cash accruals of Rs.7.53 Cr for FY2020 (Provisional) against moderate repayment obligations. Further, annual cash accruals are

expected to be in the range of about Rs.8 Cr-Rs.12 Cr in the medium term against moderate repayment obligations.

Acuité believes that the financial risk profile of the company is expected to remain comfortable on account of modest net worth backed by moderate cash accruals vis- à-vis moderate debt repayment obligations and comfortable debt protection metrics.

Weaknesses

- **Working capital intensive operations**

MMPL's working capital operations are intensive marked by Gross Current Asset days (GCA) of 191 days in FY2020 (Provisional) against 93 days in FY2019 owing to high inventory days. The inventory days were recorded at 184 days in FY2020 (Provisional) against 31 days in FY2019; since the export market was impacted due to the global outbreak of covid-19. Further, the inventory holding policy followed by the company ranges from 15-30 days to cater to spot orders. The debtors' days were recorded at 18 days in FY2020 (Provisional) against 52 days in FY2019. However, working capital bank lines remain utilized at ~75-80 percent for the last eight months ended November, 2020.

Acuité believes that the working capital operations are expected to remain on similar lines with respect to the inventory cycle; which will remain a key rating sensitivity factor.

- **High competition and forex risk**

The company operates in a highly competitive industry with the presence of a large number of organized as well as unorganized players in India. Also, because 81 percent of the company's revenues are generated through exports, exposure to foreign currency risk is very high due to the absence of hedging.

- **Susceptibility to risks inherent in the seafood industry**

The company remains vulnerable to the inherent risks in the seafood industry. These include susceptibility to diseases, climate changes, and adverse changes in policies, among others.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity: Adequate

MMPL has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The company generated cash accruals of Rs.3.76 Cr-Rs.7.53 Cr during the last three years through 2018-20. It is expected to generate cash accruals in the range of Rs.8 Cr- Rs.12 Cr over the medium term, against moderate repayment obligations. Unencumbered cash and bank balances stood at Rs.0.17 Cr as on 31st March, 2020 (Provisional) with a current ratio of 1.13 times in the same period. The working capital limits remain utilized at ~75-80 percent for the last eight months ended November, 2020.

Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

Outlook: Stable

Acuité believes that MMPL will maintain a 'Stable' outlook over the medium term owing 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 the company registers lower than expected growth in revenues and profitability or deterioration in the financial risk profile, working capital cycle and liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	66.38	109.97
PAT	Rs. Cr.	5.91	2.39
PAT Margin	(%)	8.90	2.17
Total Debt/Tangible Net Worth	Times	1.51	2.67
PBDIT/Interest	Times	9.05	2.71

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Sep-2019	Term Loan	Long Term	10.00	ACUITE BB/ Stable (Upgraded)
	Bills Discounting	Long Term	20.00	ACUITE BB/ Stable (Upgraded)
30-Aug-2018	Term Loan	Long Term	10.00	ACUITE BB-/ Stable (Assigned)
	Bills Discounting	Long Term	9.00	ACUITE BB-/ Stable (Assigned)
	Proposed Bills 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	Oct-2016	12.20%	Jul-2020	10.00	ACUITE BB+ (Upgraded from ACUITE BB/ Stable & Withdrawn)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB+/ Stable (Upgraded from ACUITE BB/ Stable)
PSC/FDBP/FUBP/(LC/NLC)	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BB+/ Stable (Upgraded from ACUITE BB/ Stable)
Working Capital Demand Loan	Jun-2020	7.65%	Aug-2022	2.00	ACUITE BB+/ Stable (Assigned)
Working Capital Term Loan	Jul-2020	7.50%	Aug-2024	4.20	ACUITE BB+/ Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.80	ACUITE BB+/ Stable (Assigned)

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About Acuité Ratings & Research:

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