



**Press Release**  
**Malpefresh Marine Export Private Limited**  
**September 15, 2023**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	ACUITE BB+   Stable   Assigned	-
Bank Loan Ratings	24.00	-	ACUITE A4+   Assigned
Total Outstanding Quantum (Rs. Cr)	26.00	-	-

**Rating Rationale**

Acuité has assigned its long-term rating of '**ACUITE BB+**' (read as **ACUITE double B Plus**) and its short term rating of '**ACUITE A4+**' (reads as **ACUITE A four plus**) to the Rs.26.00 Cr bank facilities of Malpefresh Marine Export Private Limited (MMEPL). The outlook is '**Stable**'.

**Rationale for rating assigned**

The rating assigned takes into account established market position and company's track record of operations in the seafood industry. The rating also factors in the company's strategic location at Udupi region which is a major fishing hub with a close vicinity to Malpe port. The rating also draws comfort from geographically diversified clientele and growth in scale of operations to Rs.148.99 Cr in FY23(Prov) as against Rs.120.67 Cr in FY22 and Rs.62.01 Cr in FY21 along with improvement in operating profit margin to 5.22 percent in FY2023(Prov) as against 2.93 percent in FY2022. However, rating is constrained by below average financial risk profile, moderate working capital management and exposure to volatile raw material prices and forex risk.

**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. Moulanalbrahim, Mr. Sidga Mohammed Ibrahim, Mr. Antonio Luis Felix Rodrigues, Mr. Suresh P. Shetty, Mr. Sathish Shetty and Mr. Krishna Prasad.

**Analytical Approach**

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

**Key Rating Drivers**

**Strengths**

Extensive experience of promoter in seafood industry

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 MMPL to build a strong base of customers, ensuring repeat orders. MMPL's processing facilities are located in proximity to the major aquaculture belt of Udupi (Karnataka), ensuring continuous availability of raw materials at low transportation costs. MMPL's major exports 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. Company derives almost 92 percent of its revenue from exports.

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

### **Improvement in scale of operations and Profitability**

MMEPL's operating revenue to surged 23 percent in FY23(Prov) to Rs.148.99 Cr from Rs.120.67 Cr in FY22 and Rs.62.01 Cr in FY21. Improvement is aided by better demand conditions in South East Asia which is major market for MMEPL. The profitability of the company also witnessed improvement reflected by increase in its operating margin to 5.22 percent in FY23(Prov) as against 2.93 percent in FY22 and 5.00 percent in FY21. Similarly, the Profit After Tax margin also improved to 2.43 percent in FY23(Prov) as against 0.44 percent in FY22 and FY21.

Acuité believes that the profitability of the company will continue to witness improvement over the medium term on account of healthy demand of seafood and established operations of the company.

### **Strategic location at Udupi and diversified clientele**

MMEPL is located at Udupi, Karnataka with close vicinity to Malpe port, which is one of the largest harbour, ensuring easy raw material availability at lower cost. Further, company uses Mangalore port to ship its exports due to high availability of shipping lines and nearest port. The company also has geographical diversification in its revenue profile as it exports its products to international market such as Thailand, Malaysia, China, Spain, UAE etc.

## **Weaknesses**

### **Below average financial risk profile**

The financial risk profile of the company is moderate marked by low networth, moderate gearing level and moderate debt protection metrics. The company's net worth stood at Rs.15.83 Cr as on March 31st 2023 (Prov) as against Rs.12.21 Cr as on March 31st 2022 and Rs.11.68 Cr as on March 31st 2021. The increase in networth is majorly due to accretion of profits. The total debt of Rs.21.11 Cr as on March 31st 2023(Prov) consists of short term debt of Rs.18.31 Cr, unsecured loan of Rs.0.94 Cr and CPLTD of Rs.1.87 Cr. The gearing of the company remained moderate at 1.33 times as on March 31st 2023(Prov) as against 2.25 times as on March 31st 2022 and 2.34 times as on March 31st 2021. Further, the total outside liability to tangible net worth also improved and stood at 2.18 times as on March 31st 2023(Prov) as against 3.33 times as on March 31st 2022 and 2.76 times as on March 31st 2021. The debt protection metrics remains moderate with interest coverage ratio and debt coverage ratio stood at 4.46 times and 2.13 times respectively as on March 31st 2023(prov) as against 2.13 times and 2.01 times as on March 31st 2022 and 2.14 times and 2.03 times as on March 31st 2021.

Acuité believes that the financial risk profile of the company may improve going forward with no major debt funded capex.

### **Moderate Working capital management**

Company's operations are moderately working capital intensive as reflected by Gross current asset (GCA) days of 94 days in FY23(Prov) as against 123 days in FY22 and 181 days in FY21. The inventory days stood at 38 days in FY23(Prov) as against 52 days in FY22 and 130 days in FY21. The debtor days stood in the range of 36 days to 47 days in past three years ending FY2023(Prov) which is in line with credit period allowed to its customers. To support its working capital company stretches its creditor days to the extent of 28 to 34 days during past 3 years ending FY2023(Prov). The stretch in working capital has led to higher utilisation in bank limits

with an average utilisation of 80 percent during 6 months ending July 2023.

Acuite believes that working capital management of the company will remain key rating sensitivity over medium term.

### **Inherent risks in sea food industry like vulnerability of demand, susceptibility to diseases, climate change and Government policies**

MMEPL's revenues and profit margins are susceptible to the volatility in realisations, which in turn are driven by global demand-supply scenario. The risk of extreme climatic conditions and disease outbreaks are inherent in seafood industry. Extreme climatic condition would result in adverse fishing conditions, which in turn affect mortality rates and the quality of fish. Further, any changes in government policy could adversely impact revenue and margins.

### **Rating Sensitivities**

- Any further large debt-funded capital expenditure, impacting the financial risk profile adversely
- Further stretch in the working capital cycle
- Significant improvement in scale of operations while maintaining profitability
- Sustainable improvement in profitability, leverage and solvency position of the company

### **All Covenants**

None

### **Liquidity Position**

#### **Adequate**

The liquidity of the company remained adequate, marked by adequate net cash accruals to service its maturing debt obligation. Further cash accruals of the company are expected to be in range of Rs.5.15 Cr to Rs.5.56 Cr during FY24 -25 period. The current ratio of the company stood at 1.16 times, and cash and bank balance stood at Rs.0.33 Cr as on March 31st 2023(Prov). However, due to stretched working capital cycle company has high reliance on short term borrowing marked by average utilisation of 80 percent in past 6 months ending July 2023.

Acuite believes that liquidity of company is likely to remain adequate over medium term on account of adequate cash flow and no major debt funded capex over the medium term.

### **Outlook: Stable**

Acuite believes that MMEPL rating will maintain a 'Stable' outlook over the medium term on account of long track record of operations and experienced management in the industry. The outlook may be revised to 'Positive' if MMEPL registers sustainable improvement in sales volumes and realization per unit of the products offered leading to higher-than-expected revenues and profitability with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case MMEPL registers lower-than expected revenues and profitability or any significant stretch in its working capital management or larger than expected debt- funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

### **Other Factors affecting Rating**

Not applicable

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	148.99	120.67
PAT	Rs. Cr.	3.62	0.53
PAT Margin	(%)	2.43	0.44
Total Debt/Tangible Net Worth	Times	1.33	2.25
PBDIT/Interest	Times	4.46	2.13

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

None

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

### Rating History :

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	24.00	ACUITE A4+   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.60	ACUITE BB+   Stable   Assigned
Canara Bank	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	1.40	ACUITE BB+   Stable   Assigned

## Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>  Gnanreddy Rakesh Reddy Senior Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:rakesh.reddy@acuite.in">rakesh.reddy@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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