

Press Release

MEGAA MODA PRIVATE LIMITED

April 09, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 70.20 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the Rs. 70.20 crore bank facilities of MEGAA MODA PRIVATE LIMITED (MMPL). The outlook is '**Stable**'.

Incorporated in 2009, MMPL is a Kolkata based closely held company engaged in processing, packaging and exporting of shrimps/prawns under its brand 'MEGAA' and 'MEGAA DELIGHT'. The company has its facility located in West Bengal with an installed capacity of 6000 MTPA and 1000 MT cold storage unit. MMPL is promoted by Mr. Yogesh Gupta and Mr. Shankar Ramalingam, among others.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The key promoters, Mr. Shankar Ramalingam and Mr. Yogesh Gupta have been engaged in trading and exporting of shrimp for nearly a decade. This has helped the company to establish long standing relationship with its customers in over 12 countries including Japan, Vietnam and South Korea. Additionally, the company's operations are certified by EIA Certification from Export Inspection Council (EIC), The Marine Products Exports Development Authority (MPEDA), British Retail Consortium's (BRC), Best Aquaculture Practices (BAP) and US-FDA.

- **Comfortable financial risk profile**

MMPL's financial risk profile is comfortable marked by healthy net worth, modest gearing and healthy debt protection metrics. Net worth stood at Rs.22.33 crore as on March 31, 2018 as against Rs.13.40 Crore as on March 31, 2017. Acuité has considered Rs.17.85 crore as quasi-equity consisting of Rs 7.55 Crore of compulsorily convertible debentures from SIDBI venture capital and grant of Rs 8.27 crore received from Ministry of Food Processing Industries (MOFPI). The gearing stood at 1.74 times as on March 31, 2018 as against 1.64 times as on March 31, 2017. Debt protection metrics are healthy marked by interest coverage ratio (ICR) of 2.68 times FY2018 as against 2.99 times FY2017 and debt service coverage ratio (DSCR) of 2.36 times in FY2018 as against 2.39 times FY2017. NCA/ TD stood at 0.10 times for FY2018 as against 0.04 times FY2017.

- **Improvement in scale of operations and profitability**

The company has registered operating revenue of Rs.166.00 crore as on February, 2019 (Provisional) as against Rs.112.58 crore in FY2018. Further, the company had registered revenue of Rs.58.05 crore in FY2016-17. EBITDA margins improved to 6.44 percent in FY2018 from 3.03 percent in the previous year. Acuité believes that MMPL will continue to maintain its operating performance with healthy growth in revenue and profitability over the medium term.

Weaknesses

• **Exposure to regulatory changes and competition**

The shrimp processing and export business is highly fragmented with presence of several small players and dependence on shrimp farms for raw material which limits bargaining power. Additionally, the procurement price of shrimp depends on catch and availability during a particular period, which exposes the company to volatility in product prices. Furthermore, as entire revenue is generated from exports, credit risk profile remains susceptible to volatility in forex rates. Further, the company is also exposed to risk arising from regulatory changes and demand pattern in client countries and changes such as levy of anti-dumping duties by importing countries.

Liquidity Profile

MMPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.3.83 crore during FY2017-18, while its maturing debt obligations stood at Rs.1.12 crore over the same period. The cash accruals of the company are estimated to remain comfortable to meet its repayment obligations during 2019-21. The cash credit limit in the company remains utilised at around 69 percent during the last 6 months period ended December 2018. The company maintains unencumbered cash and bank balances of Rs.0.47 crore as on March 31, 2018. The current ratio of the company stands modest at 1.08 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual sufficient to meet its repayments over the medium term.

Outlook: Stable

Acuité believes that MMPL will maintain a 'Stable' outlook over the medium term owing to its promoter's extensive experience in the industry and comfortable financial risk profile. The outlook may be revised to 'Positive' in case the company achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company fails to achieve growth in revenue and profitability or the financial risk profile deteriorates owing to higher-than-expected increase in debt-funded working capital requirement.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	112.58	58.05	73.40
EBITDA	Rs. Cr.	7.25	1.76	2.08
PAT	Rs. Cr.	0.95	0.85	0.93
EBITDA Margin	(%)	6.44	3.03	2.83
PAT Margin	(%)	0.84	1.46	1.26
ROCE	(%)	9.61	7.53	26.66
Total Debt/Tangible Net Worth	Times	1.74	1.64	1.10
PBDIT/Interest	Times	2.68	2.99	2.89
Total Debt/PBDIT	Times	5.15	10.55	3.70
Gross Current Assets (Days)	Days	108	52	50

Any other information

Not Applicable

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	13.00	ACUITE BBB- / Stable
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A3
FBN/FBP/FBD/PSF C/FBE	Not Applicable	Not Applicable	Not Applicable	30.75	ACUITE A3
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.75	ACUITE A3
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	0.70	ACUITE A3

Contacts

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About Acuité Ratings & Research:

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