

Press Release

Megaa Moda Private Limited (MMPL)

June 04, 2020

Rating Reaffirmed



Total Bank Facilities Rated	Rs. 70.20 crore
Long Term Rating	ACUITE BBB-/ Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the 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 brands '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

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

Key Rating Drivers

Strengths

• Experienced management

Established in 2009, the company has been operational for more than a decade. The key promoters, Mr. Shankar Ramalingam and Mr. Yogesh Gupta have been engaged in trading and exporting of shrimp for a decade by virtue of their association with this company. 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. Acuite believes the company will continue to benefit from experienced promoters that will help to maintain long-term relations with customers and suppliers.

• Comfortable financial risk profile

The financial risk profile of the company stood comfortable with healthy network, modest gearing level, and healthy debt protection metrics. The tangible network is expected at Rs 38.35 crore as on 31st March, 2020 (Provisional) as compared to Rs 30.10 crore in the previous year. The increase in network is mainly due to retention of profits. The gearing (debt-equity) estimated at 1.36 times as on 31st March, 2020(Provisional) as compared to 1.74 times in the previous year. The total debt of Rs 52.48 crore as on 31st March, 2019 consists of Packing credit and FDBP of Rs 40.18 crore and Term Loan of Rs 12.30 crore. The coverage indicators stood healthy marked by Interest coverage ratio (ICR) which estimated at 3.79 times for FY 2020 (Provisional) as compared to 3.26 times in FY 2019 and DSCR (Debt Service Coverage Ratio) expected at 2.53 times in FY 2020(Provisional) as against 2.47 times in the previous year. NCA/TD (Net Cash Accruals to Total Debt) ratio estimated at 0.21 times in FY 2020(Provisional) as against 0.17 times in FY2019. Debt to EBITDA expected at 3.07 times in FY 2020(Provisional) as against 3.71 times in FY2019. Acuite believes the financial risk profile of the company will remain at current levels over the medium term in the absence of any major debt funded capex plan.

• Improving scale of operations and profitability

The company's scale of operations has grown from Rs. 58.05 crores in FY2017 to Rs. 174.37 crores in

FY2019. Further, the company has booked revenue of Rs 195.94 crores in FY 2020 (Provisional). This was primarily due to addition of new customers in FY2018 for IQF frozen shrimps and repetitive orders from the existing customers. Further, the company's operating margins stood at 8.55 percent in FY 2020(Provisional) which improved from 7.98 percent in FY 2019 and 6.44 percent in FY 2018. The operating margin improved in FY 2019 due to increase in sale of IQF frozen shrimps which has better realization as compared to block frozen shrimps in the same period.

Moreover, the company has booked revenue of Rs 8.82 crore in April, 2020 (Provisional) and May, 2020(Provisional). During the outbreak of the global pandemic, the orders execution were delayed due to lockdown but were not cancelled. Currently, MMPL has an order book of nearly Rs 20 crore to be executed in next 45 days.

Weaknesses

- **Moderate working capital management**

The company has moderate working capital operations as evident from GCA (Gross Current Assets) Days estimated at 117 days in FY2020 (Provisional) in line with 117 days in the previous year. The debtor days expected at 25 days in FY 2020(Provisional) as compared to 36 days in the previous year. Further, the inventory days estimated at 89 days in FY 2020(Provisional) as against 82 days in FY 2019. The working capital limits remained utilized at an average of around 90 percent for 6 months ended March, 2020. The working capital operations are expected to remain at similar levels over the medium term.

- **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.

Rating Sensitivity

- Steady growth in revenue with sustained profitability levels

Material Covenants

None

Liquidity Profile

The company has adequate liquidity marked by adequate cash accruals to its maturing debt obligations. The company generated cash accruals of Rs 0.97-9.11 crore in FY 2017-2019 while its maturing debt obligations were Rs 0-1.57 crore during the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 10.80-9.49 crore during 2020-22 against repayment obligation of around Rs. 1.99-1.95 crore during FY2020-22. The company has modest working capital intensive nature of operations as marked by GCA days of 117 days for FY 2019. The company maintains unencumbered cash and bank balances of Rs. 0.52 crore as on March 31, 2019. The working capital limits remained utilized at an average of around 90 percent for 6 months ended March, 2020. The company has availed loan moratorium for March, 2020 to May, 2020 and has applied for moratorium of further 3 months. The current ratio stood at 1.16 times as on March 31, 2019. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals to its maturing debt obligation.

Outlook: Stable

Acuite believes MMPL will continue to benefit from its experienced management and comfortable financial risk profile. The outlook maybe revised to 'Positive', if the company demonstrates sustained growth in its revenues and profitability metrics from the current levels. Conversely, the outlook maybe revised to 'Negative', if the entity's revenue and profitability declines, while the financial risk profile deteriorates owing to increased working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	195.94	174.37
PAT	Rs. Cr.	6.78	4.29
PAT Margin	(%)	3.46	2.46
Total Debt/Tangible Net Worth	Times	1.36	1.74
PBDIT/Interest	Times	3.79	3.26

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments -<https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition -<https://www.acuite.in/view-rating-criteria-52.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. Crore)	Ratings/Outlook
09-April-2019	Term loan	Long Term	13.00	ACUITE BBB-/ Stable (Assigned)
	PC/PCFC	Short Term	25.00	ACUITE A3 (Assigned)
	FBN/FBP/FBD/PSF C/FBE	Short Term	30.75	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	0.75	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	0.70	ACUITE A3 (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	20-April-2016	Not Applicable	20-April-2024	10.74 (Reduced from Rs 13.00 crore)	ACUITE BBB-/Stable (Reaffirmed)
PC/PCFC	26-Sept-2018	Not Applicable	Not Applicable	25.00	ACUITE A3 (Reaffirmed)
FBN/FBP/FBD/PSF C/FBE	26-Sept-2018	Not Applicable	Not Applicable	30.75	ACUITE A3 (Reaffirmed)
Bank Guarantee	26-Sept-2018	Not Applicable	Not Applicable	0.76	ACUITE A3 (Reaffirmed)
Letter of Credit	26-Sept-2018	Not Applicable	Not Applicable	0.70	ACUITE A3 (Reaffirmed)
Proposed bank facilities	Not Applicable	Not Applicable	Not Applicable	2.25	ACUITE BBB-/Stable (Assigned)

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About Acuité Ratings & Research:

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