

Press Release

Megaa Moda Private Limited

November 22, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.38	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	72.60	-	ACUITE A3+ Reaffirmed
Bank Loan Ratings	9.29	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	89.27	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

ACUITE has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.81.89 Cr bank facilities of Megaa Moda Private Limited (MMPL) and has assigned the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short-term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.7.38 Cr bank facilities of Megaa Moda Private Limited (MMPL). The outlook is '**Stable**'.

Rationale for the rating

The rating continues to derive comfort from the extensive experience of the promoters, established relationship with its customers and suppliers, moderate financial risk profile along with adequate liquidity position. However, the rating remains constrained on account of working capital intensive nature of operations, moderate profitability margins due to sudden spike in freight costs in FY22 along with inherent risk associated with sea food industry and exposure to forex risk.

About the Company

Incorporated in 2009, Megaa Moda Private Limited (MMPL) is a Kolkata based company, currently headed by Mr. Yogesh Gupta, Mrs. Sonali Gupta, Mr. Shankar Ramalingam and Mr. Sajit Kumar. The company is engaged in processing, packaging and exporting of shrimps and prawns. MMPL has an established name in the overseas market by its brand name of "MEGAA" and "MEGAA DELIGHT" (a Registered Brand). The company is recognized as a two star export house under Ministry of Commerce and Industry, Govt. of India. The company has its facility located in West Bengal with an installed capacity of 6000 MTPA and 1000 MT cold storage unit.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

MMPL has a long operational track record of more than a decade in the sea food industry. The key promoters, Mr. Shankar Ramalingam and Mr. Yogesh Gupta have significant experience in the trading and exporting of shrimp. Over the years, the company has been able to establish comfortable relationships with reputed customers across various geographies. Acuité believes that the promoters' extensive understanding and expertise in marine food products will support the company's growth plans going forward.

- **Steady business risk profile**

The company's revenue increased to Rs 204.85 Cr in FY2022 as against Rs 186.85 Cr in FY2021 and Rs 197.37 Cr in FY2020, thereby registering an y-o-y growth of 10 per cent. Further, the company has achieved revenues of around Rs.128.47 Cr till six months ended September'22 (Provisional). The increase in revenue in FY2023 is primarily on account of increased demand backed by penetration into new geographies such as Greece, Luxembourg, Portugal, South Africa, etc.

The operating margin of the company moderated to 6.56 per cent in FY2022 from 7 per cent in FY2021 mainly due to increased freight costs. The PAT margin stood at 2.48 per cent in FY2022 as compared to 2.41 per cent in FY2021. The ROCE levels stood comfortable at 11.59 per cent in FY2022 as against 11.15 per cent in FY2021. Going forward, it is expected that profitability margins of the company will improve as the freight charges have come down as compared to FY2022.

- **Moderate financial risk profile**

The company's moderate financial risk profile is marked by modest networth, moderate gearing and healthy debt protection metrics. The tangible networth of the company increased to Rs 32.04 Cr as on March 31, 2022 from Rs 27.01 Cr as on March 31, 2021 due to accretion to reserves. Gearing of the company stood moderate at 1.93 times as on March 31, 2022 as against 2.33 times as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood moderate at 2.26 times as on March 31, 2022 as against 3.31 times as on March 31, 2021. The healthy debt protection metrics of the company is marked by Interest Coverage Ratio of 3.04 times and Debt Service Coverage Ratio of 1.91 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.13 times as on March 31, 2022. Acuité believes that going forward the financial risk profile of the company will improve backed by steady accruals and no major debt funded capex plans.

Weaknesses

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 132 days in FY2022 as compared to 167 days in FY2021. The moderate level of GCA days is on account of moderate level of inventory days which stood at 90 days as on FY2022. However, the debtors period stood comfortable at 33 days as on March 31, 2022 as against 56 days in the previous year. Going forward, Acuité believes that the operations would remain moderately working capital intensive mainly due to high inventory level.

- **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 Sensitivities

- Sustainable revenue growth along with improvement in operating margins
- Elongation in working capital cycle

Material covenants

None.

Liquidity Position

Adequate

The company's liquidity is adequate marked by net cash accruals of Rs.8.24 Cr as on March 31, 2022 as against long term debt repayment of Rs. 2.15 Cr over the same period. The current ratio stood comfortable at 1.45 times as on March 31, 2022 as compared to 1.31 times as on March 31, 2021. The fund based limit remains utilised at 51 per cent during first six months ended FY2023. However, the moderate working capital management of the company is marked by moderate Gross Current Assets (GCA) of 132 days as on March 31, 2022 as compared to 167 days as on March 31, 2021. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuité believes the company's outlook will remain 'stable' over the medium term on account of experience of the promoters, long track record of operations and healthy relationship with reputed customers and suppliers. The outlook may be revised to 'Positive' in case the company continues to register consistent growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or deterioration in its working capital cycle.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	204.85	186.85
PAT	Rs. Cr.	5.07	4.51
PAT Margin	(%)	2.48	2.41
Total Debt/Tangible Net Worth	Times	1.93	2.33
PBDIT/Interest	Times	3.04	3.13

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>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.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, Acuité has categorized such

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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.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Nov 2022	Term Loan	Long Term	9.68	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	1.20	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A3+ (Reaffirmed)
	Bills Discounting	Short Term	45.01	ACUITE A3+ (Reaffirmed)
	Packing Credit	Short Term	25.00	ACUITE A3+ (Reaffirmed)
09 Aug 2021	Packing Credit	Short Term	25.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	9.68	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A3+ (Reaffirmed)
	Bills Discounting	Short Term	45.01	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	1.20	ACUITE A3+ (Reaffirmed)
20 May 2021	Bank Guarantee	Short Term	1.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	1.20	ACUITE A3+ (Reaffirmed)
	Proposed Packing Credit	Short Term	5.01	ACUITE A3+ (Assigned)
	Term Loan	Long Term	9.68	ACUITE BBB Stable (Reaffirmed)
	Bills Discounting	Short Term	38.00	ACUITE A3+ (Reaffirmed)
	Packing Credit	Short Term	25.00	ACUITE A3+ (Reaffirmed)
29 Apr 2021	Bills Discounting	Short Term	38.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	9.68	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	1.20	ACUITE A3+ (Reaffirmed)
	Packing Credit	Short Term	25.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Long Term	5.01	ACUITE BBB Stable (Reaffirmed)

07 Apr 2021	Letter of Credit	Short Term	1.20	ACUITE A3+ (Upgraded from ACUITE A3)
	Packing Credit	Short Term	25.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Bills Discounting	Short Term	38.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee	Short Term	1.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Bank Facility	Long Term	1.35	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
04 Jun 2020	Term Loan	Long Term	9.68	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bills Discounting	Short Term	30.75	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	0.76	ACUITE A3 (Reaffirmed)
	Packing Credit	Short Term	25.00	ACUITE A3 (Reaffirmed)
	Letter of Credit	Short Term	0.70	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long Term	2.25	ACUITE BBB- Stable (Assigned)
09 Apr 2019	Term Loan	Long Term	10.74	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.75	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	0.70	ACUITE A3 (Assigned)
	Term Loan	Long Term	13.00	ACUITE BBB- Stable (Assigned)
	Packing Credit	Short Term	25.00	ACUITE A3 (Assigned)
	Bills Discounting	Short Term	30.75	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Federal Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.40	ACUITE A3+ Reaffirmed
Federal Bank	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	Simple	43.90	ACUITE A3+ Reaffirmed
Federal Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.30	ACUITE A3+ Reaffirmed
Federal Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A3+ Reaffirmed
Federal Bank	Not Applicable	Term Loan	Apr 20 2016 12:00AM	9.5	Apr 20 2024 12:00AM	Simple	6.67	ACUITE BBB Stable Reaffirmed
Federal Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	2.62	ACUITE BBB Stable Reaffirmed
Federal Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	7.38	ACUITE BBB Stable Assigned

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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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