



Press Release
Megaa Moda Private Limited
January 04, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	15.27	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	6.00	-	ACUITE A3+ Assigned
Bank Loan Ratings	74.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	107.27	-	-

Rating Rationale

ACUITE has reaffirmed and 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.107.27 Cr bank facilities of Megaa Moda Private Limited (MMPL). The outlook is '**Stable**'.

Rationale for Reaffirmation

The rating reaffirmation takes into cognizance the augmentation in business risk profile of the company majorly driven by improvement in scale of operations. The company's revenue increased to Rs 242.73 Cr in FY2023 as against Rs 204.85 Cr in FY2022 and Rs 186.85 Cr in FY2021, thereby registering an y-o-y growth of 18.53% on account of increased demand backed by geographical diversification into various countries.

The rating also factors the moderate financial position of the company characterized by comfortable debt protection metrics. The rating also draws comfort from established track record and experience management.

However, the rating is constrained by 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 three-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 7500 MTPA and 1600 MT cold storage unit.

Unsupported Rating

Not Applicable

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

- **Long track record of operations and experienced management**

Functioning since 2009, the company has surpassed a decade in operations. Its primary backers, Mr. Shankar Ramalingam and Mr. Yogesh Gupta, have been actively involved in shrimp trading and export through their affiliation with this enterprise for ten years. This association has facilitated the establishment of enduring connections with the company's clientele.

The company's revenue increased to Rs 242.73 Cr in FY2023 as against Rs 204.85 Cr in FY2022 and Rs 186.85 Cr in FY2021, thereby registering an y-o-y growth of 18.53%. Further, the company has achieved revenues of around Rs.157.19 Cr till six months ended September 2023 (Provisional). The increase in revenue in FY2023 is primarily on account of increased demand backed by geographical diversification into various countries.

Furthermore, the operating margin of the company increased marginally to 6.65 per cent in FY2023 from 6.53 per cent in FY2022. Despite the increase in costs, company was able to maintain its margins. However, the Profit After Tax (PAT) margin stood at 2.28% in FY2023 as compared to 2.48% in FY2022. The Return on Capital Employed (ROCE) levels stood comfortable at 14.39% in FY2023 as against 11.59% in FY2022.

Acuité anticipates continued advantages for the company due to the expertise of its promoters, contributing to sustained relationships with both customers and suppliers in the long term.

- **Moderate financial risk profile**

The company's financial risk profile is marked by modest networth, moderate gearing and comfortable debt protection metrics. The tangible networth of the company increased to Rs 37.59 Cr as on March 31, 2023 from Rs 32.04 Cr as on March 31, 2022 due to accretion to reserves. Gearing of the company stood moderate at 1.60 times as on March 31, 2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.15 times as on March 31, 2023. The comfortable debt protection metrics of the company is marked by Interest Coverage Ratio of 2.58 times and Debt Service Coverage Ratio of 1.72 times as on March 31, 2023. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.14 times as on March 31, 2023. Acuité believes that going forward the financial risk profile of the company will improve backed by steady accruals, even though the company is expected to incur capex.

The company invested in Individual Quick Freezing (IQF) machines through a capital expenditure (capex) of Rs 11.00 crore, of which Rs 7.00 crore is financed through debt, while the balance has been funded from internal accruals. The project aims to enhance profit margins and decrease production costs. The capex has increase the manufacturing capacity for processed shrimp to 7,500 MTPA from 6,000 MTPA. Also cold storage until to 1,600 MT from 1,000 MT.

Weaknesses

- **Working capital intensive nature of operations**

The working capital operations of the company is marked by high albeit improving Gross Current Assets (GCA) of 126 days in FY2023 as compared to 132 days in FY2022. The high level of GCA days is on account of high level of inventory days which stood at 92 days as on FY2023 as against 90 days as on March 31, 2022. However, the debtors period stood comfortable at 32 days as on March 31, 2023 as against 33 days as on March 31, 2022. Against this, the company has substantial dependence on its suppliers to support the working capital; creditors stood at 28 days as on March 31, 2023.

Going forward, Acuité believes that the working capital operations of the company will remain at the similar levels over the medium term.

- **Exposure to regulatory changes and competition**

The shrimp processing and export industry exhibit significant fragmentation, characterized by numerous small players relying on shrimp farms for raw materials, thereby restricting bargaining power. Moreover, the purchasing cost of shrimp hinges on availability and catch during specific periods, leading to exposure to price fluctuations for the company. Additionally, since all revenue stems from exports, the credit risk profile is vulnerable to fluctuations in foreign exchange rates. Furthermore, the company faces risks associated with regulatory alterations and shifts in demand patterns within client nations, including the imposition of anti-dumping duties by importing countries.

Rating Sensitivities

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

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Liquidity Position Adequate

The company's liquidity is adequate marked by net cash accruals of Rs.8.41 Cr as on March 31, 2023 as against long term debt repayment of Rs. 2.19 Cr over the same period. The current ratio stood comfortable at 1.59 times as on March 31, 2023. However, the bank limit of the company has been ~83.35 percent utilized for the last six months ended in November 2023. Further, the working capital operations of the company is intensive marked by high albeit improving Gross Current Assets (GCA) of 126 days in FY2023 as compared to 132 days in FY2022. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals and absence of debt funded capex plans.

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, improve its capital structure and working capital operations. 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	242.73	204.79
PAT	Rs. Cr.	5.53	5.07
PAT Margin	(%)	2.28	2.48
Total Debt/Tangible Net Worth	Times	1.60	1.93
PBDIT/Interest	Times	2.58	3.04

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

Not Applicable

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 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
22 Nov 2022	Working Capital Demand Loan	Long Term	2.62	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	6.67	ACUITE BBB Stable (Reaffirmed)
	Packing Credit	Short Term	25.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	2.30	ACUITE A3+ (Reaffirmed)
	Bills Discounting	Short Term	43.90	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	1.40	ACUITE A3+ (Reaffirmed)
	Working Capital Demand Loan	Long Term	7.38	ACUITE BBB Stable (Assigned)
02 Nov 2022	Packing Credit	Short Term	25.00	ACUITE A3+ (Reaffirmed)
	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)
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	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)
		Short		

	Packing Credit	Term	25.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Long Term	5.01	ACUITE BBB Stable (Reaffirmed)
	Bills Discounting	Short Term	38.00	ACUITE A3+ (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)
	Term Loan	Long Term	9.68	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
04 Jun 2020	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)
	Term Loan	Long Term	10.74	ACUITE BBB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB Stable Assigned
Axis Bank	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3+ Reaffirmed
ICICI Bank Ltd	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3+ Reaffirmed
ICICI Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	14.00	ACUITE A3+ Reaffirmed
Axis Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A3+ Reaffirmed
Yes Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	30.00	ACUITE A3+ Reaffirmed
ICICI Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A3+ Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.96	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.31	ACUITE BBB Stable Reaffirmed
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	10.00	ACUITE BBB Stable Reaffirmed
Exim Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	7.00	ACUITE BBB Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Dipti Choudhary Analyst-Rating Operations Tel: 022-49294065 dipti.choudhary@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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