

Press Release

Mangala Sea Foods

D-U-N-S® Number: 85-863-2531

April 22, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite 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. 20.00 crore bank facilities of MANGALA SEA FOODS (MSF). The outlook is '**Stable**'.

Kochi based, MSF established in 2009 by Mr. Ashok Bhat, Mr. Premchandra Bhat, Mr. Suresh Bhat and Mr. Sreenivasa Bhat. The firm is engaged in the processing and export of sea food products i.e. shrimps and cuttle fish to Spain, Italy, US, Portugal, Japan and Belgium. It procures the catch from the southern coastal districts of Kerala, Andhra Pradesh and Tamil Nadu. MSF is a part of the Mangala Group.

Mangala Group is promoted by Mr. Premchand Bhat, Mr. Sreenivasa Bhat, Mr. Ashok Bhat and Mr. Suresh Bhat. The group comprises Mangala Sea Foods engaged in processing and exporting of shrimps and cuttle fish; Mangala Marine Exim India Private Limited engaged in the processing and export of sea food products i.e. shrimps, cuttle fish, squid, octopus, to name a few; and Blue Water Foods and Exports Private Limited engaged in processing and exporting of shrimps, cuttle fish, squid and octopus to name a few.

Analytical Approach

Acuite has considered the consolidated business and financial risk profiles of Mangala Sea Foods and Mangala Marine Exim India Private Limited to arrive at the rating. The consolidation is in view of similarity in the line of business, common management and financial linkages between the two. Extent of consolidation: Full.

Key Rating Drivers

Strengths

• Experienced management

The day-to-day operations of the Mangala Group are handled by the Bhat family who have been associated with the sea-food processing and exports for over five decades, through multiple entities such as Mangala Marine Exim India Pvt Ltd, Blue Water Foods and Exports Private Limited and Bhatson Business Associates (independent management). The promoters have gained good insight, knowledge and association with various stakeholders through their own and family's extensive experience in the industry. This has led the Group to build healthy and long term relations with their suppliers, thereby assuring a steady base of supply.

• Healthy revenue growth

Mangala Group registered revenue of Rs.358.25 crore in FY2018 as compared to Rs.292.02 crore in FY2017, thereby registering a y-o-y growth of 22.68 percent. Revenues in FY2018 from top 10 customers contributed ~ 60 per cent as against ~ 42 percent in FY2017. Further, in the current year, the group clocked revenues of ~Rs.386.42 crore till January, 2019. Acuite believes that the group will continue to register healthy revenues on the back of established relations with its customers and suppliers.

• Above average financial risk profile

The financial risk profile of the group is marked by moderate net worth of Rs.51.08 crore as on March 31, 2018 (including quasi capital of Rs.5.47 crore) as compared to Rs.46.36 crore in the previous year. Gearing of the group, as shown by debt equity ratio, stood at 1.70 times as on March 31, 2018 and 2017. Total debt of Rs.86.97 crore outstanding as on March 31, 2018 comprises of Rs.18.59 crore of long term debt and Rs.68.38 crore of short term working capital borrowings. Interest Coverage Ratio (ICR) is moderate at 2.09 times in FY2018 as compared to 1.81 times in the previous year. Total Outstanding Liability to Total Net Worth (TOL/TNW) is 3.30 times as on March 31, 2018 as against 3.16 times a year ago. Acuite believes that the financial risk profile of the group will continue to remain above average over the near term in the absence of any major debt funded capex.

Weaknesses

• Exposure to regulatory changes

The seafood export segment is marked by stringent regulations and quality requirements. Regulatory changes such as the levy of anti-dumping duties by importing countries can have an adverse impact on the profitability of the entire industry. Apart from several small domestic players, Indian seafood exporters have to face intense competition from exporters in countries such as Bangladesh, Thailand and Indonesia. Acuite believes that the group will always be exposed to the risk associated with the global industry.

• Competitive and fragmented nature of seafood industry

Low entry barriers, intensifies competition from unorganised players, catering to regional demand. Operating margins are vulnerable to volatility in feed prices, while diseases and climatic vagaries such as the tsunami and cyclones could affect supply of seafood and hence, prices.

Liquidity Profile:

Mangala group has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.6.91 crore to Rs.8.80 crore during the last three years through 2017-18, while its maturing debt obligations were in the range of Rs.3.88 crore to Rs.4.55 crore over the same period. The cash accruals of the group are estimated to remain around Rs.10.00 crore to Rs.12.00 crore during 2019-21, while its repayment obligations are estimated to be around Rs. 4.55 crore to Rs.5.00 crore. The group's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 138 in FY 2018. This has led to higher reliance on working capital borrowings, the cash credit limit in the group remains utilised at 95 percent during the last 12 months period ended January, 2019. The group maintains unencumbered cash and bank balances of Rs.10.63 crore as on March 31, 2018. Acuite believes that liquidity of the group is likely to remain healthy over the medium term on account of healthy cash accrual against its repayments over the medium term.

Outlook: Stable

Acuite believes that Mangala Group will maintain a 'Stable' business risk profile on account of its established operational track record and experienced management. The outlook may be revised to 'Positive' in case the Group is able to achieve significant growth in revenue while maintaining its profitability and significant improvement in its financial risk profile. The outlook may be revised to 'Negative' in case of decline in revenues and profitability and deterioration in the financial risk profile.

About the Rated Entity - Key Financials (Consolidated)

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	358.25	292.02	267.77
EBITDA	Rs. Cr.	23.12	18.78	17.80
PAT	Rs. Cr.	5.30	3.72	6.56
EBITDA Margin	(%)	6.45	6.43	6.65
PAT Margin	(%)	1.48	1.27	2.45
ROCE	(%)	15.18	13.19	29.45
Total Debt/Tangible Net Worth	Times	1.70	1.70	1.96
PBDIT/Interest	Times	2.09	1.81	2.18
Total Debt/PBDIT	Times	3.66	4.05	3.92
Gross Current Assets (Days)	Days	138	140	128

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

None

Any other information

None

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>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.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
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	10.00*	ACUITE A3
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	5.00*	ACUITE A3
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB- / Stable

*100 per cent interchangeability between EPC/PCFC and FBD (NLC) such that the total limit does not exceed Rs.15.00 crore.

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About Acuité Ratings & Research:

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