

Press Release

Mangala Sea Foods

December 01, 2021



Rating Upgraded

Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.00	30.00		ACUITE A3+ Upgraded
Bank Loan Ratings	5.00	5.00	ACUITE BBB Stable Upgraded	
Total	35.00	35.00	-	-

Rating Rationale

Acuite has upgraded the long term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating to '**ACUITE A3+**' (read as **ACUITE A three plus**) from '**ACUITE A3**' (read as **ACUITE A three**) to the 35.00 crore bank facilities of Mangala Sea Foods (MSF). The outlook is 'Stable'.

About the Company

Kochi based, MSF was established in 2009 by Mr. Ashok Bhat, Mr. Premchandra Bhat, Mr. Suresh Bhat and Mr. Sreenivasa Bhat. The firm is a part of the Mangala Group which is engaged in the seafood industry since a significant amount of time. The firm is engaged in the processing and export of sea food products i.e. shrimps and cuttle fish to US, Canada, Europe, Japan and China. The company procures the catch from the southern coastal districts of Kerala, Andhra Pradesh and Tamil Nadu.

About the Group

Mangala Group, promoted by Mr. Premchand Bhat, Mr. Sreenivasa Bhat, Mr. Ashok Bhat and Mr. Suresh Bhat. The group comprises of 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.

Analytical Approach

Acuite has considered the consolidated financial and business risk profile of Mangala Sea Foods and Mangala Marine Exim India Private Limited to arrive at the rating. The consolidation is in view of similarity in line of business, common management and financial linkages between both the companies and corporate guarantee given by Mangala Marine Exim India Private Limited to Mangala Sea Foods. Extant 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.

> **Revenue recovering from the Covid induced declining trend**

The top-line of the group showed a declining trend in the past 3 years through FY-21. The dip in revenue is attributed to the hindrance caused due to covid outspread in FY-20 followed by lock-down in the first quarter of FY-21. The revenue is currently showing a recovery trend due to better demand in the export market i.e., U.S.A and Italy. The group has already achieved a top-line of Rs.190 cr till Sept-2021 and currently the group has an order book of 51.94 cr which is executed in 2 months. The group gets fresh orders bi-monthly.

> **Comfortable Profitability Position**

The profitability position of the group has improved in FY-21 as is apparent from EBITDA and PAT margin of the group which stood at 5.81 times and 1.84 times (PY: 4.96 and 1.22) respectively. The improvement in profitability is attributed to better realisation of products.

> **Moderate Financial Risk Profile**

The company's financial risk profile stood moderate with a total net worth of Rs. 74.30 cr and a total debt of Rs. 104.44 cr the debt-equity position of the company stood at 1.41 times in FY21 which is a moderately leveraged capital structure. Further, the coverage indicators of the group have improved in FY-21 and remained comfortable as can be seen from ICR and DSCR which stood at 2.46 and 1.32 (PY: 2.01 and 1.26) respectively.

Weaknesses

> **Competitive and fragmented nature of seafood industry**

Low entry barriers, intensifies competition from unorganized 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.

> **Stretched Working Capital Cycle**

The operations of the group is working capital intensive in nature. The Bank limit utilization stood at an average of ~93 percent during the last 6 months ended Sept, 2021. The working capital cycle of the group is stretched on account of stretch in inventory days which increased from 84 days in FY-19 to 145 days in FY-21. The increase in inventory days of the group was a result of lockdown imposed to curb the covid outspread worldwide in the last quarter of FY-20. Further in FY-21 the inventory days remained at a higher level. Debtor days stood at 9 days, Creditor days at 83 days and Inventory days at 145 days in FY2021 as compared to Debtor days of 17 days, Creditor days of 101 days and Inventory days of 144 days in FY2020. Since the group has reputed international clientele it does not face payment issues and the promoters' long standing relationship and the reputation with its suppliers enables it to enjoy adequate repayment period.

Liquidity Position: Adequate

The group has adequate liquidity marked by adequate net cash accruals to its debt obligations. The liquidity profile of the group improved in FY-21 with an improvement in the net cash accruals of the group which stood at Rs. 10.16 cr (PY: 7.99) against CPLTD of Rs. 7.89 cr (PY:5.49). Further, the cash and bank position of the group has improved in FY-21 and stood at Rs. 8.87 cr vis-à-vis Rs. 1.04 cr in FY-20.

Rating Sensitivities

- >Improvement, sustainability and healthy growth of revenues and profitability margins.
- >Deterioration in the working capital cycle leading to stress on the liquidity position.
- >Regulatory challenges faced from the importing countries

Material covenants

None

Outlook: Stable

Acuité 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.

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	361.29	364.74
PAT	Rs. Cr.	6.63	4.46
PAT Margin	(%)	1.84	1.22
Total Debt/Tangible Net Worth	Times	1.41	1.39
PBDIT/Interest	Times	2.46	2.01

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector -<https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Jul 2020	Bank Guarantee	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Bills Discounting	Short Term	10.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Bills Discounting	Short Term	10.00	ACUITE A3 (Reaffirmed)
	Packing Credit	Short Term	13.00	ACUITE A3 (Reaffirmed)
02 Jul 2020	Bills Discounting	Short Term	10.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Packing Credit	Short Term	13.00	ACUITE A3 (Reaffirmed)
	Proposed Long Term Loan	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
22 Apr 2019	Bank Guarantee	Short Term	1.00	ACUITE A3 (Assigned)
	Proposed Long Term Loan	Long Term	4.00	ACUITE BBB- Stable (Assigned)
	Bills Discounting	Short Term	5.00	ACUITE A3 (Assigned)
	Packing Credit	Short Term	10.00	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	3	3.00	ACUITE A3+ Upgraded
Canara Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	12	12.00	ACUITE A3+ Upgraded
Canara Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	15.00	15.00	ACUITE A3+ Upgraded
Canara Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not Applicable	Not Applicable	Not Applicable	5.0	5.00	ACUITE BBB Stable Upgraded

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About Acuité Ratings & Research

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