

**Press Release**  
**MILESH MARINE EXPORTS PRIVATE LIMITED**  
**February 04, 2022**  
**Rating Assigned**



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Bank Loan Ratings</b>	64.79	ACUITE BBB-   Stable   Assigned	-
<b>Bank Loan Ratings</b>	24.00	-	ACUITE A3   Assigned
<b>Total Outstanding Quantum (Rs. Cr)</b>	88.79	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

**Rating Rationale**

Acuité has assigned its long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.88.79 Cr bank facilities of Milesh Marine Export Private Limited (MMEPL). The outlook is '**Stable**'.

**Rationale for rating assigned**

The rating takes into account MMEPL's moderate business risk profile marked by its experienced promoters, improving scale of operations on account of increase in demand of the products offered by MMEPL and growing demand in industry. The rating also factors in its moderate financial risk profile marked by a modest networth and moderate gearing along with improving debt protection metrics. These strengths are partially constrained by its working capital intensive nature of operations, competitive environment in the industry, high concentration of revenue from single product i.e. Frozen shrimps and regulatory risk.

**About the Company**

Andhra Pradesh based Milesh Marine Exports Private Limited (MMEPL) was established as a partnership firm in 2011 and was later re-constituted as a private limited company in December, 2012. MMEPL, a closed-family owned business, is promoted by Mr. Baalaje Rao Pattapu Mrs. Narmmada Pattapu and Mr Milesh Kumar Pattapu. Mr. Baalaje (Managing Director); MD has more than 2 decades of experience in the field of aquaculture. MMEPL is engaged in the business of trading, processing and exporting of shrimps procured from the domestic farmers. MMEPL exports shrimps to countries like USA, Europe and China. MMEPL is a 100 percent export-oriented unit.

**Analytical Approach**

Acuité has considered the standalone business and financial risk profiles of the MMEPL to arrive at this rating. For the assessment of financial risk profile of the company, the unsecured loans (USL) to the extent of Rs.6.63 Cr from the promoter group have been treated as quasi equity as it is expected to remain in the business over a medium term followed by undertaking provided to lenders for non-withdrawal. The USL from related parties are non-interest bearing and subordinated to external borrowings

**Key Rating Drivers**

## **Strengths**

- Promoters' extensive experience in shrimp processing industry; Established regional player in Andhra Pradesh**

MMEPL is promoted by Mr Baalaje Rau Pattapu who has been associated with the company since its inception; this has helped the company to establish strong market presence. Mr. Baalaje Rau Pattapu looks after the day-to-day operations of the company and is assisted by Mr. Milesh Kumar Pattapu and Ms. Narmmada Pattapu along with a team of experienced professionals down the line. The revenue of the company has grown at a compound annual growth rate (CAGR) of ~30 per cent for last 3 years ending FY2021 (Prov). The operating income increased to Rs.211.47 Cr in FY2021 (Prov) from Rs.163.34Cr. in FY2020, further, the company has achieved revenue of Rs.149.78 Cr for 8MFY2021. The company operates at moderate profitability margins marked by operating margin (EBITDA) of 7.20 percent in FY2021 (Prov) which has improved in comparison with the previous year. MMEPL caters to the international customers by exporting the products into various countries namely USA, China, Europe amongst others. Acuité believes that the company will continue to derive benefits from its promoter's experience, its established presence and diversified geographical coverage providing healthy revenue visibility in medium term.

- Improving scale of operations over the years; capex underway**

MMEPL's scale of operations has been improving continuously over the last 3 years ending FY2021(Prov). MMEPL is engaged in business of processing and exporting frozen shrimps. MMEPL has an installed processing capacity of 12,848 Metric Tons (MT). The business has been growing on account of increasing demand of Individually Quick Frozen (IQF) shrimps across the global market. MMEPL has processed 4,664 MT of frozen shrimps in FY2021 against 3,372 MT in previous year. The capacity utilization has improved to 36.30 percent in FY2021 (Prov) against 26.25 percent in FY2020 on account of higher production. MMEPL's management has availed a term loan of Rs.4.10 Cr in on-going FY2022 for capex towards purchase of additional machinery i.e. IQF, Plate Freezers and Cooking Lines. MMEPL's processing plant is located in the major aquaculture region in Krishna District (Andhra Pradesh) ensuring locational advantage to MMEPL in terms of raw materials procurement and harvesting. Acuité believes that the company will continue to derive benefits from its locational advantage, capex underway and improving scale of operations over the medium term.

- Moderate financial risk profile**

MMEPL's financial risk profile is moderate, marked by a modest networth, moderate gearing and improving debt protection metrics. The EBITDA margins of MMEPL improved to 7.20 per cent in FY2021 (Prov) against 6.44 per cent in FY2020. The improvement is attributable decrease in operational overhead costs such as power and selling expenses during the period. The PAT margins of MMEPL has improved to 3.37 percent in FY2021 (Prov) in comparison to 1.05 percent in FY2020. The PAT margins in FY2021 was improved on account of improvement in scale of operations and reduction in depreciation and finance cost during the period. The improvement in profitability levels vis-à-vis decrease in the interest obligations has led to improvement in the debt protection metrics. The interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 4.21 times and 2.63 times respectively in FY2021 (Prov) as against 2.19 and 1.38 times respectively in the previous year.

The net worth of MMEPL stood at Rs.30.48 Cr as on 31 March, 2021 (Prov) as against Rs.23.40 Cr as on 31 March, 2020. The improvement is on account of moderate accretion of net profit in the reserves during the period. The gearing level (debt-equity) stands improved at 1.93 times as on 31 March, 2021 (Prov) as against 2.40 times as on 31 March, 2020, the improvement is on account of strengthening of net worth during the period. TOL/TNW (Total outside liabilities/Total net worth) has marginally improved and stands moderate at 2.69 times as on 31 March, 2021 (Prov) against 3.04 times in previous year. Moderate TOL/TNW is on account of presence of moderate leverage position of the MMEPL and increase in payables during the period.

The total debt of Rs.58.87 Cr as on 31 March, 2021 (Prov) consist of long-term debt of Rs.5.06

Cr, short term debt of Rs.48.72 Cr and maturing portion of long term borrowings of Rs.5.09 Cr. MMEPL is moderately aggressive towards its leverage policy and has been funding the working capital requirements through banking limits. MMEPL's promoters has been supporting the funding requirements through infusion of funds as unsecured loans and are being treated as quasi equity. The quasi equity stood at Rs.6.63 Cr as of March 31, 2021. NCA/TD (Net cash accruals to total debt) stands improved at 0.18 times in FY2021 (Prov) as against 0.10 times in FY2020. Acuité expects the financial risk profile to remain moderate over the medium to long term period on account of moderate capital structure and stable operations of MMEPL.

## **Weaknesses**

- Working capital operations marked by moderate GCA days**

MMEPL's working capital cycle is marked by moderate gross current assets (GCA) days in the range of 154-230 days over the last 3 years ending March 31, 2021(Prov). The GCA days are majorly marked by high inventory days. The improved GCA days of 154 days as on March 31, 2021 (Provisional) is on account of decrease in inventory days to 108 days from 121 days in previous year and presence of moderate debtors. The debtors have decreased to Rs.11.85 Cr in FY2021 (Prov) against Rs.17.22 Cr in previous year. The moderate GCA cycle has led to high utilization of around 91.81 per cent of fund based working capital requirement bank lines over the past 12 months ending November, 2021. Acuité believes that the operations of MMEPL will remain moderately working capital intensive on account of high inventory levels and nature of the aquaculture industry.

- Susceptible to volatility in raw material prices and regulatory risks**

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. Further, the industry 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. Moreover, 100 percent of the company's revenues are generated through exports, exposure to foreign currency risk could result in high forex risk in absence of any hedging practices. Acuité believes that MMEPL's business profile will remain exposed to the aforementioned risk inherited in the aquaculture industry.

## **Rating Sensitivities**

Positive

- Higher-than-expected Improvement in the scale of operations and profitability as envisaged
- Sustainable improvement in Leverage and Solvency position of the company.
- Sustainable improvement in Gross current assets (GCA) days.

Negative

- Any deterioration in working capital cycle and liquidity profile of the company.
- Any deterioration in Revenue profile and leverage position of the company.
- Any weakening of financial risk profile of the company.
- Significant Reduction in Unsecured loans from promoters.

## **Material covenants**

None

## **Liquidity Position: Adequate**

MMEPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. MMEPL generated cash accruals of Rs.10.36 crore in FY2021 (Prov) against Rs.1.70

Cr debt obligation for the same period. MMEPL's operations are working capital intensive as marked by gross current asset (GCA) days of 154 days in FY2021 (Prov). The company maintains unencumbered cash and bank balances of Rs.0.46 crore as on March 31, 2021 (Prov). The fund based limit remains utilized at 91.81 per cent over the 12 months ended November 2021. The current ratio of the company stands at 1.16 times as on March 31, 2021 (Prov). Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals and improving scale of business. MMEPL is expected to generate adequate NCAs in the range of Rs.10.0-14.0 Cr. against modest CPLTD of Rs.4.0-5.0 Cr over the medium term.

### **Outlook: Stable**

Acuité believes that MMEPL rating will maintain a 'Stable' outlook over the medium term on account of long track record of operations and experienced management in the industry. The outlook may be revised to 'Positive' if MMEPL registers sustainable improvement in sales volumes and realization per unit of the products offered leading to higher-than-expected revenues and profitability with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case MMEPL registers lower-than expected revenues and profitability or any significant stretch in its working capital management or larger than-expected debt- funded capital expenditure leading to deterioration of its financial risk profile and liquidity.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	211.47	163.34
PAT	Rs. Cr.	7.13	1.72
PAT Margin	(%)	3.37	1.05
Total Debt/Tangible Net Worth	Times	1.93	2.40
PBDIT/Interest	Times	4.21	2.19

## 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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entity: <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

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

## Rating History :

Not Applicable

## Annexure - Details of instruments rated

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Canara Bank	Not Applicable	FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	23.00	ACUITE A3   Assigned
Canara Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3   Assigned
Canara Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB-   Stable   Assigned
Canara Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE BBB-   Stable   Assigned
Canara Bank	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	7.60	ACUITE BBB-   Stable   Assigned
Canara Bank	Not Applicable	Term Loan	19-09-2014	13.95	30-09-2023	3.83	ACUITE BBB-   Stable   Assigned
Canara Bank	Not Applicable	Term Loan	26-04-2021	11.30	30-04-2028	4.10	ACUITE BBB-   Stable   Assigned
Canara Bank	Not Applicable	Working Capital Term Loan	10-07-2020	7.65	31-07-2022	1.26	ACUITE BBB-   Stable   Assigned

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### About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,850 credit 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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