Milesh Marine Exports Private Limited

March 31, 2025

Ratings

Security/ Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	83.92 (Reduced from Rs.84.63 crore)	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	IVR BBB-; Negative (IVR Triple B Minus with Negative outlook)	Rating Reaffirmed and outlook revised from Negative to Stable	Simple
Short Term Bank Facilities	24.00	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Rating Reaffirmed	Simple
Total	**107.92 (Rupees One hundred and seven crores and ninety-two lakhs only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of the ratings of Milesh Marine Exports Private Limited (MMEPL) continue to derive comfort from its experienced promoters, favourable location of the processing unit and accredited manufacturing facilities. The ratings also factor in the stable business performance; albeit moderation in top line in FY2024 [FY refers to the period from April 1 to March 31] though improvements witnessed in 11MFY25. Further, the ratings also consider the stable financial risk profile of the company marked by improvement in capital structure with moderate debt protection metrics in FY2024. The ratings also note the healthy demand for Indian shrimps in the overseas market. However, these rating strengths remain constrained by elongated working capital cycle of the company, delay in project execution, susceptibility of profitability to volatility in raw material prices, exposure to foreign currency fluctuation risk and intense competition.

The outlook is revised from Negative to Stable on the back of expected stable business performance of the company in the near to medium term underpinned by favourable demand outlook in the seafood industry and moderate financial risk profile of the company.

Key Rating Sensitivities:

Upward Factors:

- Growth in revenue coupled with improvement in profitability on a sustained basis leading to growth in cash accruals
- Improvement in capital structure and debt protection metrics on a sustained basis
- Timely completion of the ongoing capex without any cost/time overrun along with ramping up of operations from the new enhanced capacities.
- Prudent working capital management leading to reduction in operating cycle

Downward Factors:

- Moderation in scale of operation and/or profitability leading to moderation in cash accruals on a sustained basis
- Withdrawal of unsecured loans from promoters/directors impacting the capital structure of the company with overall gearing above 2.50x
- Any further stretch in the operating cycle impacting the liquidity position of the company.
- Any major cost/time overrun in the ongoing project.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

MMEPL is promoted by Mr. Baalaje Rau Pattapu who has been associated with the company since its inception and has an experience of over two decades in the aquaculture industry. Vast experience of the promoter in the line of activity has helped the company to gain and maintain long standing relations with its customers and suppliers. Mr. Baalaje Rau Pattapu looks after the day-to-day operations of the company and is assisted by the other directors - Mr. Milesh Kumar Pattapu (son of Mr. Baalaje Rau Pattapu) and Ms. Narmmada Pattapu (wife of Mr. Baalaje Rau Pattapu) along with a team of experienced and professionals down the line.

- **Favourable location of the processing unit and accredited manufacturing facilities**

MMEPL's processing plant is located in the prime aquaculture zone by the coastal line of Andhra Pradesh, which enables the company to procure raw materials and process them immediately after harvest. This results in better quality product as well as lower transportation cost. MMEPL procures raw materials from local farmers from all across the country majorly from Andhra Pradesh. Furthermore, MMEPL's processing unit has certifications from Global Aquaculture Alliance Best Aquaculture Practices (BAP), US Food and Drug Administration (USFDA) and HACCP (Hazard Analysis and Critical Control Points) Standards approvals. This minimises the probability of export rejections for the company.

- **Healthy demand for Indian shrimps in the overseas market**

Frozen shrimp remained the major export item in terms of quantity and value while USA and China turned out to be the major importers of India's seafood. The outlook for India's shrimp industry in 2025 is largely positive, with strong export growth prospects, technological improvements, and sustainability initiatives. However, competition from Ecuador and other shrimp-producing nations, along with climate risks, may pose challenges. Despite these factors, the overall market conditions are expected to support the company's revenue growth as it leverages these trends to expand its presence in global markets.

- **Stable financial performance; albeit moderation in top line in FY2024**

The company witnessed a year-on-year decline in total operating income (TOI) from Rs. 141.12 crore in FY2023 to Rs. 112.87 crore in FY2024 due to decrease in both sales volume and realisations in view of stiff competition from the international market. As a result, the company wilfully decreased its volume sales to avoid compromising on its EBITDA margin. The decline in the revenue was not specific to the company, but rather a broader industry trend, as all shrimp manufacturers encountered similar challenges in FY2024. Despite decrease in topline and absolute EBITDA, EBITDA margin remained at the same level as compared to previous year and stood at 8.19% in FY2024 (8.09% in FY2023). Further, PAT margin also increased marginally from 1.06% in FY2023 to 1.39% in FY2024. GCA also moderated marginally from Rs. 5.22 crore in FY2023 to Rs. 4.47 crore in FY2024. During 11MFY25, the company achieved a top line of ~Rs. 130 crores. The ability of the company to increase its scale of operations while maintaining its margins going forward will be critical from credit perspective.

- **Stable financial risk profile marked by improvement in capital structure with moderate debt protection metrics**

The debt profile of the company majorly comprises term loan from banks, small amount of unsubordinated unsecured loans, export packing credit and bills discounted from bank. The promoter has infused fresh subordinated unsecured loan amounting to ~Rs.9 crore to support the business operations. Further with decrease in working capital borrowings as on the account closing date, the overall gearing improved from 2.25x as on March 31, 2023, to 1.28x as on March 31, 2024 (considering subordinated unsecured loans from promoters and relatives aggregating to Rs.24.90 crore outstanding as on March 31, 2024, as quasi equity). Furthermore, total indebtedness as reflected by TOL/ATNW also stood comfortable at 2.16x as on March 31, 2024. (3.09x as on March 31st, 2023). Debt protection metrics of the company continues to remain moderate. The interest coverage remains moderate at 1.24x in FY24 (1.94x in FY23). Further, Total debt/EBITDA and Total debt/GCA though improved from 7.50x and 16.41x respectively as on March 31, 2023, to 6.80x and 14.08x respectively as on March 31, 2024, continues to remain moderate.

Key Rating Weaknesses

- **Elongated working capital cycle**

The company operates in a working capital-intensive industry marked by elongated operating cycle and high reliance on working capital bank borrowings. The company's entire revenue is through exports with USA, Russia and China being its prime export destinations. This involves high turnaround time resulting in stretched working capital cycle. The working capital cycle increased from 221 days in FY2023 to 278 days in FY2024 majorly due to increase in debtors and inventory period. The shrimp production is exported which requires dealing with international shipping timelines, customs clearances, and market demand fluctuations. This can lead to longer inventory holding periods while waiting for export orders or fulfilling international contracts.

- **Delay in project execution**

At the time of the last rating the company was in the process of enhancing its existing capacities with a view to receiving receipt of orders from new customers. However, the project which was initially scheduled to commence from September 2024 got delayed due to several unforeseen factors. The primary reasons for the delay include adverse weather conditions such as heavy rains, cyclones, and floods, which disrupted the operations. Additionally, the timing of state elections also contributed to the delay. Furthermore, the company had placed orders for all necessary machinery in April 2024, but the cooking line machinery was not received from the Vietnam supplier. The company expects to receive the pending machinery and commence operations by the end of March 2025. The delay in the project is likely to impact the company's revenue growth, nevertheless, there is no cost overrun because the company has managed to keep its expenses within the originally planned budget.

- **Susceptibility of profitability to volatility in raw material prices and foreign exchange fluctuations**

The profitability of shrimp exporters is susceptible to volatile shrimp prices. It is also exposed to uncertainty related to procurement and prices, as the supply of shrimp from aqua culturists is unpredictable and depends on the demand-supply situation. The availability of shrimps can be impacted by possible outbreak of diseases, which could affect production. Further, since the company's revenue is derived from exports, the profitability of the company is also susceptible to volatility in the foreign exchange fluctuations to the tune of any unhedged forex exposure.

- **Intense competition in shrimp export business**

The shrimp processing and export business in India is highly fragmented with existence of several large and small players. Competition from neighbouring countries, such as Thailand, China, and Vietnam, also persists.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies.
Financial Ratios & Interpretation (Non-Financial Sector).
Criteria for assigning Rating outlook.
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The liquidity profile of the company is expected to remain adequate marked by expected sufficient cash accruals vis-à-vis its debt repayment obligations in the near to medium term. MMEPL has earned a gross cash accrual of Rs.4.47 crore in FY24. Further the company is expected to generate gross cash accrual in the range of ~Rs. 27.92 - 42.87 crore as against its debt repayment obligations around ~Rs.5.96- 16.92 crore during FY25-27. The current ratio also remained comfortable at 1.23x as on March 31, 2024. Moreover, MMEPL had free cash and cash equivalents to the tune of Rs.6.45 crore as on February 28, 2025 which is likely to support the liquidity position of the company in the near term.

About the Company

Incorporated in December 2012, Milesh Marine Exports Private Limited (MMEPL) is engaged in processing and export of shrimps. The shrimp processing plant of the company is located in Krishna district, Andhra Pradesh and has an installed capacity of 12,848 MTPA (capacity of 35.2 MT per day) and freezing capacity of 1,500 MT. MMEPL is a 100% export-oriented unit. The company exports shrimps primarily to USA and China.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	141.12	112.87
EBITDA	11.41	9.25
PAT	1.51	1.62
Total Debt	85.61	62.89
Adjusted Tangible Net Worth	38.03	49.29
EBITDA Margin (%)	8.09	8.19
PAT Margin (%)	1.06	1.39
Overall Gearing Ratio (x)	2.25	1.28
Interest Coverage (x)	1.94	1.24

* *Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					February 20, 2024	December 26, 2022	-
1	Term Loan	Long Term	2.32* (Reduced from Rs.3.03 crore)	IVR BBB-/Stable	IVR BBB-/Negative	IVR BBB-/Stable	-
2	Term Loan	Long Term	26.00*	IVR BBB-/Stable	IVR BBB-/Negative	IVR BBB-/Stable	-
3	Packing Credit	Long Term	48.00	IVR BBB-/Stable	IVR BBB-/Negative	IVR BBB-/Stable	-
4	Standby Line of Credit	Long Term	7.60	IVR BBB-/Stable	IVR BBB-/Negative	IVR BBB-/Stable	-
5	Bill discounting	Short Term	23.00	IVR A3	IVR A3	IVR A3	-

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
6	Letter of Credit	Short Term	1.00	IVR A3	IVR A3	IVR A3	-

Outstanding as on February 28, 2025

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

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any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	June 2028	2.32*	IVR BBB-/Stable
Term Loan	-	-	March 2032	26.00*	IVR BBB-/Stable
Packing Credit	-	-	-	48.00	IVR BBB-/Stable
Standby Line of Credit	-	-	-	7.60	IVR BBB-/Stable
Bill discounting	-	-	-	23.00	IVR A3
Letter of Credit	-	-	-	1.00	IVR A3

**Outstanding as on February 28, 2025*

Annexure 2: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/Len-Milesh-Marine-31mar25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.