



Press Release

Baby Marine Eastern Exports

March 21, 2024

Ratings

Instrument/Facility	Amount (Rs Cr.)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	15.89 (enhanced from 2.59)	IVR BBB-/ Stable (IVR Triple B minus with Stable outlook)	Reaffirmed/ Assigned	Simple
Short Term Bank Facilities	81.60	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	97.49 (INR Ninety Seven Crore and Forty Nine Lakhs Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Baby Marine Eastern Exports (BMEE) derives comfort from the firm's partners, who have multi decades worth of experience in the seafood industry, long years of relationship with many clients, improvement in financial performance in current fiscal, and moderate capital structure and coverage indicators. These rating strengths are partially offset by the presence of the firm in a highly regulated industry, susceptibility to fluctuations in foreign exchange rates, susceptibility to fluctuations in raw shrimp and processed shrimp prices, and risks associated with the partnership constitution.

Key Rating Sensitivities:

Upward Factors

- Steady improvement in scale of operations and profitability.
- Steady improvement in capital structure and debt protection metrics.

Downward Factors

- Any unplanned capex leading to deterioration of debt protection metrics.
- Steady deterioration in operating cycle.



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Partners with multi decades worth of experience in the seafood industry**

The promoters, Mr. K.C. Thomas and Mrs. Nancy Babu who are family members have been involved with the seafood industry for almost five decades. Over the years, they have developed a very strong network of clients, which has been instrumental for the success of BMEE. Besides, their experience has also been helpful in tiding the firm through ups and down through the last three decades.

- **Long years of relationship with many clients**

BMEE normally exports to clients in Europe, Japan, China & Middle East and have relationships of more than a decade with most of the clients in these countries, particularly in Europe. The strong relationship quotient has ensured repeat orders from these clients who are satisfied with the quality and price dynamics of BMEE. These relationships definitely strengthen the business foundation of BMEE.

- **Improvement in financial performance in current fiscal**

The financial performance of BMEE had been mixed bag in nature in FY23. While Total Operating Income in FY23 dropped by ~12% YoY compared to FY22, the EBITDA had increased by 22%YoY in FY23 because of low operating costs, PAT however decreased by 23% YoY in FY23 due to high tax outgo and because of presence of high non-operating income in FY22. The financial performance in 9MFY24 compared to 9MFY23 had been impressive – TOI increased by ~94% YoY from INR174.83 crore in 9MFY23 to INR339.87 crore in 9MFY24. EBITDA increased by 87% YoY from INR10.92 crore in 9MFY23 to INR20.43 crore in 9MFY24 while PAT increased by 134% YoY from INR3.55 crore in 9MFY23 to INR8.31 crore in 9MFY24. Significant improvement in TOI was observed in 9MFY24 vs. 9MFY23 because of the high volume of exports to China in 9MFY24 (Exports to China came to a complete halt between October 2022 and April 2023 because Approval from Government of India expired for all pan India players including BMEE; fresh approval was given in early May 2023). This trend is expected to continue in FY25 and FY26 as well. The effects of high revenue in 9MFY24 flowed through profits of that period.



Press Release

- **Moderate capital structure and coverage indicators**

The capital structure of the Firm along with its coverage indicators is moderate. Long Term Debt - Equity ratio increased from 0.11x on March 31, 2022 to 0.54x on March 31, 2023 because of GECL loans availed in FY23. Overall gearing increased from 1.70x on March 31, 2022 to 2.10x on March 31, 2023. The interest coverage ratio improved from 2.01x in FY22 to 2.49x in FY23. The TOL/TNW increased marginally from 2.27x on March 31, 2022 to 2.46x on March 31, 2023. While there was an increase in debt related ratios on March 31, 2023 compared to March 31, 2022, the capital structure and coverage indicators remained moderate.

Key Rating Weaknesses

- **Presence in a highly regulated and competitive industry**

Since seafood is a depleting commodity, there are strict regulations against excessive fishing and every now and then new regulations crop up across the world restricting the trade of seafood including shrimps. These regulations do restrict the growth of the seafood exporters including BMEE. Further, the industry is very competitive with presence of many large, mid, and small players across different states of India. Besides Indian players, competition also exists from many foreign players in South East Asian countries. Competition restricts the improvement of margins of the companies in this sector, unless of course they bring in cutting edge technology, which BMEE did in the past.

- **Susceptibility to fluctuations in foreign exchange rates**

Since 80-85% of BMEE's revenues are generated from exports to various countries, the Firm is highly exposed to fluctuations in foreign exchange rates. The Firm, however, does have a hedging policy in place to mitigate this through forward contracts for large orders.

- **Susceptibility to fluctuations in raw shrimp and processed shrimp prices**

The processed shrimp prices are exposed to international markets demand and supply dynamics, that keep fluctuating due to which the firm has limited ability to pass on any increase in raw material prices to its customers. BMEE procures raw shrimps from both shrimp farms



Press Release

and fishermen in Andhra Pradesh. The price demanded by the fishermen varies depending on the availability and quantum of marine catches.

- **Risks associated with the partnership constitution**

Given BMEE's constitution as a partnership firm, it remains exposed to discrete risks, including the possibility of withdrawal of capital by the partners and the risk of dissolution of the firm upon the death, retirement, or insolvency of partners.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

Liquidity – Adequate

The firm had a comfortable current ratio of 1.40x on March 31, 2023 and that ratio is expected to remain between 1.41x and 1.63x between March 31, 2024 and March 31, 2026. The GCAs of each of the years between FY24 and FY26 are expected to comfortably cover the debt repayments due in the respective years. The operating cycle is expected to remain moderate at around 70 days between FY24 and FY26; it was 126 days in FY23. The average utilisation of working capital limits is high at around 97% between January 2023 and December 2023. Capex of around INR2 crore is planned for each of the years between FY24 and FY26 and it will be funded by internal accruals. DSCRs are remaining comfortable after considering the capex.

About the firm

Baby Marine Eastern Exports is a Seafood Exporting Firm in India since 1985. The Firm has been into sea food processing and exports since 1985. The Firm's clientele includes quality conscious supermarket chains like Metro, Carrefour, Auchan, etc. The Firm has seafood processing factories spread over the South coast of India with certifications like BRC, HACCP, EU Approvals, and other mandatory certifications for the factories.

They specialize in head on shrimps and exports head on shrimps from India. Apart from head on shrimps, the firm also produces and exports shrimps in various other forms like peeled and



Press Release

undeveined shrimps, peeled and deveined shrimps, headless shell on shrimps, peeled, tail on shrimps etc. They also produce other marine products like cephalopods including squid, cuttlefish which are in good demand in countries like Japan, Far East and other European nations.

Financials (Standalone):

INR in Crores

For the year ended* / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	239.16	210.49
EBITDA	13.38	16.33
PAT	6.15	4.73
Total Debt	60.05	70.68
Tangible Net worth	35.28	33.70
EBIDTA Margin (%)	5.60	7.76
PAT Margin (%)	2.53	2.24
Overall Gearing ratio (X)	1.70	2.10

*Classification as per infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Jan 31, 2023)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term Loan	Long Term	0.89	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
2.	GECL	Long Term	15.00	IVR BBB-/ Stable	-	-	-
3.	Packing Credit	Short Term	55.50	IVR A3	IVR A3	-	-



Press Release

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Jan 31, 2023)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
4.	Foreign Bill Purchase	Short Term	25.00	IVR A3	IVR A3	-	-
5.	Forward Contract	Short Term	1.10	IVR A3	IVR A3	-	-

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About Infomerics Ratings:

Infomerics Valuation and Rating Private Ltd (Infomerics) 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).

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Press Release

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs Cr.)	Rating Assigned/ Outlook
Term Loan	-	-	August 2026	0.89	IVR BBB-/ Stable
GECL	-	-	December 2027	15.00	IVR BBB-/ Stable
Packing Credit	-	-	-	55.50	IVR A3
Foreign Bill Purchase	-	-	-	25.00	IVR A3
Forward Contract	-	-	-	1.10	IVR A3

Annexure 2: List of companies considered for consolidated analysis: NA

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-BabyMarine-mar24.pdf>

Annexure 4: Detailed explanation of covenants of the rated facilities: 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.