



## Press Release

### Baby Marine Eastern Exports

January 31, 2023

#### Ratings

Instrument/Facility	Amount (Rs Cr.)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facility	2.59	IVR BBB-/ Stable (IVR Triple B minus with Stable outlook)	Assigned	Simple
Short Term Bank Facilities	81.60	IVR A3 (IVR A Three)	Assigned	Simple
<b>Total</b>	<b>84.19</b> <b>(Eighty four</b> <b>crore and</b> <b>nineteen</b> <b>lakhs only)</b>			

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 operating performance in FY22, and improvement in capital structure and coverage indicators. These rating strengths are partially offset by 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 partnership constitution.

#### Key Rating Sensitivities:

##### Upward Factors

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

##### Downward Factors

- Steady decline in scale of operations and profitability.
- Steady deterioration in capital structure and debt protection metrics.
- Steady deterioration in operating cycle.



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### 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 operating performance in FY22**

The operating income of the Firm increased by ~93% YoY from INR124.15 crore in FY21 to INR239.16 crore in FY22, primarily because of low base effect in FY21 due to Covid 19. The EBITDA in absolute term increased by ~145% from INR5.46 crore in FY21 to INR13.38 crore in FY22, compared to EBITDA of INR7.26 crore in FY20, the increase was ~84%. This was primarily because of the introduction of brine freezing technology in the Firm, which results in increased selling prices and yield along with reduction in operating cost. This would be a sustainable feature in the Firm going forward. The PAT also improved from INR0.35 crore in FY21 to INR6.15 crore in FY22. PAT in FY20 was INR1.80 crore. As a consequence of better profitability, the gross cash accruals (GCA) of the Firm improved from INR3.93 crore in FY21 to INR10.14 crore in FY22. GCA in FY20 was INR4.28 crore. The PAT margin improved from 0.27% in FY21 to 2.53% in FY22 primarily because of increase in EBITDA margin, which percolated into PAT. The recent results of 6MFY23 vs. 6MFY22 have also been impressive. Barring the topline, which reduced by 10.82% YoY in 6MFY23, EBITDA, PBT, and PAT in 6MFY23 increased by ~24% YoY, ~42% YoY, and ~17% YoY respectively. EBITDA margin improved from 5.48% in 6MFY22 to 7.63% in 6MFY23 while PAT margin improved from 2.33% in 6MFY22 to 3.07% in 6MFY23.



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- **Improvement in capital structure and coverage indicators**

The capital structure of the Firm along with its coverage indicators has shown a marked improvement in FY22 compared to FY21 and FY20. Long term debt was absolutely nominal on March 31, 2022, and the long-term debt/ equity ratio dropped from 0.41x on March 31, 2020 and 0.18x on March 31, 2021 to 0.11x on March 31, 2022. Overall gearing also dropped from 5.05x on March 31, 2020 and 2.45x on March 31, 2021 to 1.70x on March 31, 2022. The interest coverage ratio improved from 2.48x in FY20 and 1.74x in FY21 to 3.24x in FY22. The TOL/TNW stood at 2.27x on March 31, 2022 from 6.35x on March 31, 2020 and 3.13x on March 31, 2021.

### **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, and that led to improvement of their margins in FY22.

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

- **Risks associated with partnership constitution**



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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 has a comfortable current ratio of 1.16x as on March 31, 2022 and this ratio is remaining between 1.28x and 1.37x between March 31, 2023 and March 31, 2025. The GCAs of each of the years between FY22 and FY25 comfortably cover the debt repayments due in the respective years. The Operating Cycle is however elongated in the range, of 80-95 days between FY23 and FY25; it was 100 days in FY22. The average utilisation of working capital limits is also high at around 96% between January 2022 and December 2022. Capex of around INR3 crore is planned for each of the years between FY23 and FY25 and it will be funded purely through 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 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,



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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	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	124.15	239.16
EBITDA	5.46	13.38
PAT	0.35	6.15
Total Debt	62.22	60.05
Tangible Net worth	25.35	35.28
EBIDTA Margin (%)	4.40	5.60
PAT Margin (%)	0.27	2.53
Overall Gearing ratio (X)	2.45	1.70

*\*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 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	2.59	IVR BBB-/ Stable	-	-	-
2.	Packing Credit	Short Term	55.50	IVR A3	-	-	-
3.	Foreign Bill Purchase	Short Term	25.00	IVR A3	-	-	-
4.	Forward Contract	Short Term	1.10	IVR A3	-	-	-

**Name and Contact Details of the Rating Analyst:**





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### About Infomerics Ratings:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit [www.infomerics.com](http://www.infomerics.com)

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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
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Term Loan	-	-	April 2026	2.59	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-jan23.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](http://www.infomerics.com).