



Press Release

Bhimraj Exports Private Limited

October 03, 2023

Ratings

Facility	Amount (Rs. Crore)	Rating	Rating Action	Complexity Indicator
Long-Term Bank Facilities	67.18	IVR BBB-; Stable (IVR Triple B Minus with Stable outlook)	Assigned	Simple
Total	67.18 (Rupees sixty- seven crore and eighteen lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Bhimraj Exports Private Limited (BEPL) derives strength from its stable business performance in FY23 (Provisional) and in Q1 FY24, extensive experience of promoters in related industry and strategic location of the business. Further, the ratings also considered the moderate capital structure and comfortable debt protection metrics of the company. However, these rating strengths remain partially offset due to fragmented nature of the industry and inherent industry risks, susceptibility of profitability to volatile shrimp prices and exposure to fluctuating foreign exchange rates and presence in a highly regulated industry.

Key Rating Sensitivities:

Upward Factors

- Sustained revenue growth coupled with improvement operating margin on a sustained basis
- Growth in cash accrual and prudent working capital management
- Improvement in leverage ratios marked by improvement in overall gearing ratio to below 1.2x

Downward Factors

- Decline in revenue and operating margin impacting the debt protection metrics on a sustained basis
- Moderation in the capital structure with overall gearing ratio moderated to over 2.0x



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- Elongation in operating cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

- **Extensive experience of promoters in related industry and moderately long track record**

BEPL is promoted by Mr. Bhimasen Lenka and Mr. Rajendra Kumar Pradhan who has been associated with the company since its inception; this has helped the company to establish strong market presence. Both looks after the day-to-day operations of the company along with a team of experienced professionals. Furthermore, the company has started its operation from 2011, thus having more than a decade of long and established operational track record.

- **Strategic location of the business**

BEPL's business plant is in the prime aquaculture zone by the coastal line of Odisha, which enables the firm to procure raw materials and process them immediately after harvest from nearby processing units. This results in better quality products as well as lower transportation costs. BEPL procures raw materials from local farmers, majorly from Odisha.

- **Stable business performance during FY23 provisional and in Q1FY24**

The total operating income (TOI) of the company grew at a CAGR of ~5% during FY21 to FY23 (Prov.). TOI improved by ~5% in FY22 to Rs.203.17 crore and then by ~4% to Rs.212.40 crore in FY23 (prov.). The improvement in sales is on the back of increase in demand of shrimp post lockdown period. Despite improvement in TOI, absolute EBITDA witnessed an erratic trend over the last three years ended FY21-FY23 (prov.). The EBITDA margin declined from 3.04% in FY21 to 2.64% in FY22, due to higher increase in rental expenses given for processing of shrimps to merchants. However, in FY23 with start of its own factory, rental expenses have declined drastically, resulting in higher profitability with EBITDA margin of 7.37% as per FY23 (provisional). Despite, increase in finance charges, PAT margin has improved from 1.55% in FY22 to 3.17% in FY23 (provisional) with higher absolute EBITDA. BEPL has reported a turnover of Rs.72.00 crore in Q1FY24 as compared to Rs.55.00 crore in Q1FY23. The company had reported better EBITDA margin of 9% in Q1FY24 as compared to 7.80% in Q1FY23.

- **Moderate capital structure and comfortable debt protection matrices**

Long term debt equity ratio improved from 0.84x as on March 31, 2022, to 0.57x as on March 31, 2023, consequent to repayments of term loans and accretion of profits to net worth. Overall



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gearing improved from 1.54x as on March 31, 2022, to 1.47x as on March 31, 2023 with accretion of profit to reserves. The debt protection metrics of the company marked by the interest coverage stands at 3.69x in FY23 (Provisional) as against 3.09x in FY22. This improvement in interest coverage is backed by higher absolute EBITDA. Total debt/GCA of the company improved to 4.94 years in FY23 (prov.) as against 9.98 years in FY22 owing to higher cash accruals. Further, total indebtedness of the company as reflected by the TOL/TNW remained satisfactory at 1.95x as on March 31, 2023 (2.40x as on March 31, 2022).

B. Key Rating Weaknesses

- **Fragmented nature of the industry and inherent industry risks**

Indian shrimp exporters face stiff competition from vendors from countries such as Ecuador, Indonesia, and Vietnam in the export markets. Further, low entry barriers expose them to competition from players in the domestic market. Such intense competition limits BEPL's bargaining power and pricing flexibility, exerting pressure on its margins. BEPL's revenue and profit margins are also susceptible to volatility in shrimp realisations and raw shrimp prices, which are driven by the demand-supply scenario. Moreover, any adverse agro-climatic condition and natural calamities during the aquaculture season may have a serious impact on the production of shrimps. Despite technical advancement, virus contamination in shrimps remains a risk.

- **Susceptibility to volatile shrimp prices and fluctuating foreign exchange rates**

Operating profitability of shrimp exporters is susceptible to volatile shrimp prices and forex rates. The company 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, market price, and monsoon conditions. The availability of shrimps is also impacted by possible outbreak of diseases, which could affect production.

- **Presence in a highly regulated 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. Moreover, many export markets implement regulations from time to time (including anti-dumping duty, food safety regulations and quality requirements). These regulations do restrict the growth of seafood exporters including BEPL.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)



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[Rating Methodology for Manufacturing Companies](#)

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

Liquidity: Adequate

BEPL has earned a gross cash accrual of Rs.9.58 crore in FY23. Further the company is expected to earn a gross cash accrual in the range of ~Rs.16.98-22.60 crore as against its debt repayment obligations around Rs.2.78-4.78 crore during FY24-FY26. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. While, the average cash credit utilisation of the company remained high at ~83% during the past 12 months ended July 2023 indicating limited liquidity cushion.

About the Company

Incorporated in December 2012, Bhimraj Exports Private Limited (BEPL) is engaged in processing and export of shrimps. The shrimp processing plant of the company is located in Khorda district, Odisha and has an installed capacity of 16,500 MTPA (capacity of 55 MT per day) and freezing capacity of 15,000 MTPA. BEPL is a 100% export-oriented unit. The company exports shrimps primarily to China, Vietnam, Gulf Countries, Europe, etc.

Financials of Bhimraj Exports Private Limited (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	203.17	212.40
EBITDA	5.35	15.66
PAT	3.17	6.76
Total Debt	39.09	47.35
Tangible Net worth	25.42	32.20
EBITDA Margin (%)	2.63	7.37
PAT Margin (%)	1.55	3.17
Overall Gearing Ratio Adjusted (x)	1.54	1.47
Interest Coverage	3.09	3.69

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:



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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	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Export Packing Credit	Long Term	45.00	IVR BBB-; Stable	-	-	-
2.	Term Loan/GECL	Long Term	22.18	IVR BBB-; Stable	-	-	-

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About Infomerics:

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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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Cash Credit	-	-	-	45.00	IVR BBB-; Stable
Long Term Fund Based Limits – Term Loan/ GECL	-	-	May 2029	22.18	IVR BBB-; Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Bhimraj-oct23.pdf>

Annexure 3: List of companies considered for consolidated analysis: Not Applicable

Annexure 4: Detailed explanation of covenants of the rated instrument/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