



Press Release

Mangala Marine EXIM India Pvt Ltd (MMEIPL)

February 23, 2024

Ratings

Instruments / Facilities	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Short Term Fund Based Facility – PC/PCFC/ FDB/FBE/BRD -Sublimit of PC/PCFC -Sublimit of FDB/FBE/BRD Non-LC	118.00 (78.00) (40.00)	IVR A4+ (IVR A Four Plus)	Assigned	Simple
Long Term Fund Based Facility- GECL	18.86	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Short Term Non-Fund Based Facility – BG	4.00	IVR A4+ (IVR A Four Plus)	Assigned	Simple
Short Term Fund Based Facility – Exporters Gold Card Scheme- Standby Limit	23.60	IVR A4+ (IVR A Four Plus)	Assigned	Simple
Total	164.46 (Rupees One Hundred Sixty-Four Crore and Forty-Six Lacs)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Mangala Marine EXIM India Pvt Ltd (MMEIPL) factors in extensive experience of the promoters in the seafood industry, accredited manufacturing facilities, improvement in the scale of operations and profitability and diversified customer profile with long years of relationship.



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The ratings, however, are constrained by moderate debt protection metrics & leveraged capital structure, susceptibility to volatility in raw material prices and foreign exchange fluctuations and intense competition in shrimp export business.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in the scale of operations, leading to an improvement in the overall credit metrics.
- Improvement in overall business risk profile

Downward Factors

- Any deterioration in the revenue and/or profitability and/or credit metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoters in the sea food industry

The day-to-day operations of the MMEIPL are handled by the Bhat family who have been associated with the sea-food processing and exports for over three decades. Presently the business is managed by M R Premachandra Bhat, M R Ashok Bhat and M R Suresh Bhat. The Promoters have experience of over three decades which has helped the promoters gain insight into the industry, diversify the customer base and modify the business policy in line with the changing market dynamics. Longstanding industry experience of the promoters has enabled them to establish strong relationships with suppliers and customers.

Accredited manufacturing facilities

The processing units have international certifications and approvals from such as Hazard Analysis Critical Control Points (HACCP), Best Aquaculture Practices (BAP), British Retail Consortium (BRC), Food and Drug Administration (FDA), International Organization for Standardization (ISO) etc. These units are certified by and approved by European Union (EU) and United States. This minimises the probability of export rejections for the company.



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Improvement in the scale of operations and profitability

The total operating income in FY23 stood at INR.349.60 Crore as compared to INR.336.26 Crore in FY22. The EBITDA margin improved to 4.44% in FY23 (FY22: 2.89%) and PAT margin improved to 0.83% in FY23 (FY22: 0.32%). The company has achieved total revenues of Rs 249.76 Crores for 9MFY24 (9MFY23: Rs 245.86 Crores) with EBITDA margin of 5.57% (4.72%) and PAT margin of 1.42% (0.78%) in 9MFY24.

Diversified customer profile with long years of relationship with many clients

MMEIPL is an export-oriented unit and exports its products to multiple countries such as USA, Japan, China, Canada, UAE, other Southeast Asian countries, and European countries and is therefore geographically well diversified. The company has relationships of more than a decade with many of the clients in these countries. The strong relationship quotient has ensured repeat orders from the clients who are satisfied with the quality and price dynamics of the company.

Key Rating Constraints

Moderate debt protection metrics & leveraged capital structure

The company has leveraged capital structure in FY23 as reflected by Overall Gearing ratio of 2.65x, as on March 31, 2023. Moreover, the total indebtedness of the company as indicated by Total Outside Liabilities to Tangible Net worth ratio stood high at 4.49x as on March 31, 2023 (4.85x as on March 31, 2022). Further the debt protection metrics of the company stood moderate as indicated by interest coverage ratio at 1.95x as on March 31, 2023 (1.82x as on March 31, 2022), and DSCR at 1.20x as on March 31, 2023 (0.76x as on March 31, 2022).

Susceptibility to volatility in raw material prices and foreign exchange fluctuations

The profitability of marine product exporters is susceptible to volatile marine product prices. The availability of products 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. Although the company enjoys a natural hedge along with forward contracts, it is still exposed to geo-political risks and foreign exchange fluctuations.



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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 countries such as USA, Japan, China, and Vietnam etc, also persists.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning Rating Outlook](#)

Liquidity: Adequate

Gross Cash Accrual of the company stood moderate at Rs. 5.36 Cr in FY23 against the recent term obligations. Company has adequate current ratio of 1.21x as on 31 March 2023 which has improved marginally from 1.19x as on 31 March 2022. The company has cash and cash equivalents of Rs 20.40 Crore as on 31 March 2023. The working capital utilisation of the company remains moderate at ~89% for the last 12 months ended on Dec 2023. Operating cycle is elongated at 129 days in FY23.

About the Company

Mangala Marine Exim India Pvt Ltd is a product-focused company that exports a range of value-added frozen seafood products. They cater to various distribution channels to retail chains, stores, restaurants and food service distributors across North America, Europe and Asia. Currently, their portfolio comprises a range of ready-to-cook and ready-to-eat frozen seafood products that are made from cultured White Shrimp (*L.vannamei*). Their operations are strategically based out of Kochi, a major Indian seafood hub known for its rich inland waters and a 590 KM coastline that accounts for more than 10% of total coast of the country. They have received, and maintained, a host of approvals, certifications and accreditations for their products and processing facilities, including, inter alia, from the United States Food and



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Drug Administration (US FDA), Hazard Analysis and Critical Control Points (HACCP), British Retail Consortium (BRC), Best Aquaculture Practices (BAP), IFS and FSSC 22000 etc.

Financials (Standalone):

INR in Crores

For the year ended* / As on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	336.26	349.60
EBITDA	9.73	15.53
PAT	1.09	2.92
Total Debt	149.39	134.94
Tangible Net worth	47.92	50.85
EBIDTA Margin (%)	2.89	4.44
PAT Margin (%)	0.32	0.83
Overall Gearing ratio (X)	3.12	2.65

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

Acuite Ratings & Research Limited moved the ratings for the bank loan facilities of Mangala Marine Exim India Pvt under Issuer Not Cooperating category vide press release dated February 23, 2023 on account of lack of requisite information for rating.

Any other information: N.A.

Rating History for last 3 years:

Sr. No.	Name of Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding/Proposed (Rs. Crore)	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.	PC/PCFC/FDB/FBE/BRD	Short Term	118.00	IVR A4+	-	-	-
2.	GECL	Long Term	18.86	IVR BB+/Stable	-	-	-



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3.	Bank Guarantee	Short Term	4.00	IVR A4+	-	-	-
4.	Exporters Gold Card Scheme- Standby limit	Short Term	23.60	IVR A4+	-	-	-

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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).

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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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
PC/PCFC/ FDB/FBE/BRD	-	-	-	118.00	IVR A4+
GECL	-	-	2027	18.86	IVR BB+/ Stable
Bank Guarantee	-	-	-	4.00	IVR A4+
Exporters Gold Card Scheme- Standby limit	-	-	-	23.60	IVR A4+

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Mangala-Marine-feb24.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.