



Press Release

Milesh Marine Exports Private Limited

December 26, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	59.70	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	24.00	IVR A3 (IVR A Three)	Assigned	Simple
Total	83.70 (Rs. Eighty three crore and seventy lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Milesh Marine Exports Private Limited (MMEPL) derive strength from its experienced promoters, favourable location of the plant and accredited manufacturing facilities. Also, the ratings positively note significant improvement in the financial performance in FY2022, albeit thin margins. However, these rating strengths remain constrained by leveraged capital structure with moderate debt coverage indicators in FY2022, elongated working capital cycle, foreign currency fluctuation risk and intense competition.

Key Rating Sensitivities

Upward Factors:

- Significant improvement in top line and overall profitability resulting in improvement in debt coverage indicators with interest coverage ratio stood above 3x on a sustained basis.
- Improvement in capital structure with reduction in overall gearing to below 1.50 times.
- Improvement in working capital cycle leading to improvement in liquidity position.

Downward Factors:

- Moderation in the scale of operation and/or drop in operating margin to below 5% on a sustain basis leading to moderation in debt protection metrics marked by drop in interest coverage to below 1.5x



Press Release

- Withdrawal of unsecured loans from promoters/directors aggregating to Rs.7.85 crore and /or any unplanned capex impacting the capital structure with deterioration in overall gearing to above 2.50x
- Any further stretch in the operating cycle impacting the liquidity position of the company.

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. Mileshe Kumar Pattapu (son of Mr. Baalaje Rau Pattapu) and Ms. Narmada Pattapu (wife of Mr. Baalaje Rau Pattapu) along with a team of experienced professionals down the line.

- **Favourable location of the processing unit**

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.

- **Accredited manufacturing facilities**

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.

- **Improvement in financial performance in FY2022, albeit thin margins**

The operating income of the company remained erratic over the past three fiscals. MMEPL's revenue was affected in FY2021 due to the impact of COVID 19 pandemic and consequent lockdown restrictions imposed by the GOI thereby impacting both the domestic and export market for sea food. Restaurants and shopping malls were shut across the country in the



Press Release

lockdown period, leading to the decline in demand for seafood thereby impacting the financial performance of FY2021. However, the sales picked up in FY2022 fiscal year with easing of lockdown restrictions and the company reported a year-on-year growth of ~32.51% from Rs.141.39 crore in FY2021 to Rs.187.35 crore in FY2022 on the back of improvement in demand leading to increase in both volume sales as well as average sales realisation in FY2022 over FY2021 fiscal year. The sales realisation also improved significantly in FY2022 as compared to the last two fiscal years on the back of increase in sale of bigger size and better-quality shrimps. With increase in sales realisation of processed shrimps, the EBITDA margin of the company increased marginally from 6.37% in FY2021 to 6.77% in FY2022. Consequently, PAT margin also increased marginally from 1.31% in FY2021 to 1.45% in FY2022. Despite the improved margins, the same has remained thin due to intense competition characterised by highly fragmented nature of the industry.

MMEPL reported a revenue of Rs.103.63 crore during H1FY2023 as against a revenue of Rs.71.53 crore during H1FY2022 driven by increase in the demand for processed shrimps.

Key Rating Weakness:

- **Leveraged capital structure with moderate debt coverage indicators in FY2022**

The capital structure of the company remained leveraged as on the past three account closing dates marked by its higher dependence on working capital borrowings attributable to its working capital-intensive nature of operations. The overall gearing stood high at 2.24x as on March 31, 2022, mainly due to higher utilization of working capital limits. However, the total indebtedness as reflected by TOL/TNW remained satisfactory at 2.79x as on March 31, 2022. The debt protection metrics of the company remained moderate over the past three fiscals. Further, with an increase in interest cost from Rs.3.62 crore in FY2021 to Rs.6.37 crore in FY2022 attributable to higher utilisation of working capital limits, interest coverage ratio moderated from 2.49x in FY2021 to 1.99x in FY2022. Total debt to GCA though improved yet remained high at 10.99x in FY2022 (13.06x in FY2021).

- **Elongated working capital cycle**

The company operates in a working capital-intensive industry marked by elongated operating cycle which resulted in higher utilisation in its bank borrowing limits. The company's entire revenue is through exports with USA and China being its prime export destinations. This involves high turnaround time resulting in stretched working capital cycle. Accordingly, the



Press Release

working capital cycle of the company although improved from 173 days as on March 31, 2021, to 144 days as on March 31, 2022, continues to remain elongated.

- **Susceptibility 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 of assigning Rating Outlook](#)

Liquidity Position: Adequate

The liquidity of the Company is expected to remain adequate marked by its sufficient cash accruals as against the long-term debt repayment obligations of Rs.4.21 crore in FY2023, Rs. 1.82 crore in FY2024 and Rs.1.17 crore in FY2025. However, the average fund based working capital utilization for the last 12 months ended November 2022 remained moderate at ~87%. With the capex and repayment obligations likely to be low as against the envisaged cash accruals, the liquidity shall remain adequate in the medium term. Also, the company has free cash and cash equivalents of Rs.2.30 crore as on November 30, 2022 which is likely to support the liquidity profile of the company in the near term.

About the Company

Incorporated in December 2012, Mileshe Marine Exports Private Limited (MMEPL) is engaged in processing and export of shrimps. The shrimp processing plant of the company is located



Press Release

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	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	141.39	187.35
EBITDA	9.00	12.68
PAT	1.85	2.71
Total Debt	66.33	65.13
Tangible Net worth	24.15	29.06
EBITDA Margin (%)	6.37	6.77
PAT Margin (%)	1.31	1.45
Overall Gearing Ratio (x)	2.75	2.24

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

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. Crore)	Ratings	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	4.10*	IVR BBB-/Stable	-	-	-
2.	Packing Credit	Long Term	48.00	IVR BBB-/Stable			
3.	Standby Line of Credit	Long Term	7.60	IVR BBB-/Stable			
4.	Bill Discounting	Short Term	23.00	IVR A3	-	-	-
5.	Letter of Credit	Short Term	1.00	IVR A3			

Rs.3.88 crore outstanding as on November 16, 2022

Name and Contact Details of the Rating Analyst:

Name: Ms. Harshita Gupta	Name: Mr. Avik Podder
Tel: (033) 46022266	Tel: (033) 46022266
Email: hgidwania@infomerics.com	Email: apodder@infomerics.com

About Infomerics:

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



Press Release

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

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for 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: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating / Outlook
Term Loan	-	-	September, 2028	4.10*	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
Total				83.70	

Rs.3.88 crore outstanding as on November 16, 2022

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-Milesh-Marine-dec22.pdf>



Press Release

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.

