



Press Release

Mindhola Foods LLP

January 16, 2024

Ratings

Instruments/ Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities – CC	44	IVR BB + / Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Long Term Bank Facilities – Term Loan	11.75	IVR BB + / Stable (IVR Double B Plus with Stable Outlook)	Assigned	Simple
Total	Rs.55.75 crore (Rupees Fifty-five crore and seventy-five lakhs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Mindhola Foods LLP (MFLP) derive strength from experienced and resourceful partners, moderate financial profile, strong and effective risk mitigating techniques, proximity to marine products procurement area. The ratings are, however, constrained by Low entry barriers and profitability susceptible to volatile prices, intense competition in shrimp export business, elongated working capital cycle, susceptibility to volatility in raw material prices and foreign exchange fluctuations, leverage capital structure and moderate debt coverage indicators.

Key Rating Sensitivities:

Upward Factors



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- Substantial improvement in scale of operations, backed by significant improvement in profitability margins while maintaining the debt protection measures on a sustained basis.

Downward Factors

- Any deterioration in the revenue and/or profitability and/or credit metrics.
- Withdrawal of funds infused by partner's adversely impacting liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced and resourceful partners

MFLP, a seafood processing firm, has experienced partners Mr. Hetal Patel and Mrs. Shoryata Patel with more than two decades of experience.

Moderate financial profile

MFLP has a moderate financial profile with revenue has improved by 10.77% on y-o-y basis to 238.06 crore in FY23 driven by improvement in volume and realization. EBITDA margins remained moderate and was in the range of 5.5%-5.9% through FY22-FY23 driven stable cost. Infomerics expects MFLP to maintain stable profitability with stable realization and control over cost.

Strong and Effective Risk Mitigating Techniques

MFLP, is engaged into processing and export of marine frozen products including shrimps, certified for export of marine products MFLP processing unit is certified by United States Food and Drug Administration (USFDA), Food Safety System Certification (FSSC), its products hold a British Retail Consortium (BRC) certification. BRC certification allows MFLP to sell its ready-to-eat products directly in the European supermarkets and malls. This minimises the probability of export rejections for the company.



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Proximity to marine products procurement area

MFLP processing plant is located at on the bank of river Mindhola, near Palsana in Gujarat where the shrimp nurseries are located close to the Arabian Sea where the natural availability of nutrient rich water provides for unique flavours of the shrimps produced. MFLP purchases shrimps from nearby farmers cultivating shrimps and other seafood products and processes the same in its factory premises with different shapes and flavours for exports.

Key Rating Weaknesses

Low entry barriers and profitability susceptible to volatile prices

MFLP faces stiff competition from other organised and unorganised domestic and international players, given low entry barriers in the business, which can limit its pricing and bargaining power with the customer. The prices of marine products are susceptible to volatile prices, demand-supply scenarios, and forex rates.

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.

Elongated working capital cycle.

MFLP 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, Japan and China being its prime export destinations. This involves high turnaround time resulting in stretched working capital cycle. Although shrimp is available from June-Jan, they are required to keep the stock to sell throughout the year, as demand is not seasonal, it is throughout the year.

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



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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. There is a risk of foreign exchange fluctuation as they do not hedge any of its foreign currency exposure.

Leverage capital structure and moderate debt coverage indicators

Capital structure marked by overall gearing and TOL/TNW stood high at 2.55x and 3.95x respectively in FY23 (FY22: 3.44x and 2.99x respectively) due to high working capital debt. Infomerics expects capital structure is likely to improve with absence of debt led capex, scheduled debt repayments and addition of capital by partners. The debt coverage indicator marked by interest coverage ratio improved to 4.42x respectively in FY23 (FY22: 3.02x).

Analytical Approach: Standalone

Applicable Criteria:

[Policy on Default Recognition](#)

[Criteria of assigning Rating outlook](#)

[Rating Methodology for Infrastructure Companies](#)

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

Liquidity: Moderate

MFLP is projected to maintain a moderate gross net cash accruals as against the long-term debt repayment obligation. MFLP business is working capital intensive in nature marked by near full utilisation of its working capital limits for twelve months ended October 23. Company has high working capital utilization (including requirement for availment of temporary overdraft with high requirements during peak seasons. MFLP is expected to generate sufficient cash accruals through FY24-FY25 which would be sufficient enough for debt repayments of Rs.5 crore. Operating cycle of MFLP remained moderate at 105 days with inventory days remaining higher at 112 days.



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About the Company

MFLP is a limited liability partnership firm (LLP), incorporated in October 2017, which commenced operations in May 2019. MFLP is engaged in processing of sea foods and exports frozen marine products primarily to China, Japan, UAE, New Zealand, and some Middle East countries. MFLP has a processing cum storage facility strategically located at Palsana (Gujarat) with total installed capacity of 75 metric tonne per day (MTPD) with Glory IQF, FAI Brine freezer and Glory Plate freezers & freezer Blast for processing and freezing of shrimps. MFLP sells its products under the brand name **Oceanus**.

Financials (Standalone):

(Rs. crore)		
For the year ended / As On*	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	214.92	238.06
Total Income	215.03	238.18
EBITDA	12.42	14.09
PAT	1.88	3.21
Total Debt	60.49	59.69
Tangible Net worth	24.23	32.31
Ratios		
EBITDA Margin (%)	5.78	5.92
PAT Margin (%)	0.87	1.35
Overall Gearing Ratio (x)	3.44	2.55

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years: None

Name and Contact Details of the Rating Analyst:



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About Infomerics:

Infomerics Valuation and Rating Private Limited (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

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – CC	-	-	-	44	IVR BB + / Stable (IVR Double B Plus with Stable Outlook)
Long Term Bank Facilities-Term Loan	-	-	09/09/2026	6.94	IVR BB + / Stable (IVR Double B Plus with Stable
Long Term Bank Facilities-Term Loan	-	-	27/09/2026	3.32	IVR BB + / Stable (IVR Double B Plus with Stable
Long Term Bank Facilities-Term Loan	-	-	11/09/2026	1.49	IVR BB + / Stable (IVR Double B Plus with Stable
				55.75	

Annexure 2: List of companies considered for consolidated analysis: Not applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Mindhola-jan24.pdf>

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.