

August 25, 2023

Mirha Exports Private Limited: Rating reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short Term - Fund Based	114.00	114.00	[ICRA]A4+; reaffirmed
Short term - Non-Fund based	15.00	15.00	[ICRA]A4+; reaffirmed
Short term - Unallocated	44.00	44.00	[ICRA]A4+; reaffirmed
Total	173.00	173.00	

*Instrument details are provided in Annexure-I

Rationale

While assessing the rating, ICRA has taken a consolidated view of Mirha Export Private Limited (MEPL) and Al Super Frozen Food Private Limited (ASFFPL), commonly referred to as the Group, given the common management and operational linkages.

The rating action takes into account the extensive experience of its promoters, spanning over two decades in the buffalo meat processing industry, the integrated nature of its operations and the established relationships with its customers and suppliers. Further, the Group's plants are favourably located in Punjab and Uttar Pradesh (the hub for buffalo meat processing in India), which provides it with an easy access to raw materials. The rating reaffirmation takes into account the healthy improvement in the Group's revenues by 16% to Rs. 997 crore in FY2023 from Rs. 861 crore in FY2022. Moreover, the Group has reported revenues of Rs. 332 crore in 4M FY2024 vis-à-vis Rs. 293 crore in 4M FY2023 on account of improved geographical diversification and healthy sales volumes from the key markets. Further, the financial risk profile remained comfortable with an interest coverage of 2.8 times and NCA/Debt of 15% in FY2023.

The rating is, however, constrained by the limited cushion in the working capital limits of the Group (average utilisation of working capital limits against the DP stood at 88% in the past 12 months ended in July 2023) owing to the working capital-intensive operations and weak operating profitability owing to limited value addition in its operations. The rating also considers the intense competition in the meat processing and exporting industry, the commoditised nature of the business and the socio-political risks associated with the sensitive nature of the business. Further, any change in trade policies, as well as the political and economic scenario of the key meat importing countries can also impact the Group's operations.

Key rating drivers and their description

Credit strengths

Extensive experience of promoters in buffalo meat-processing industry – MEPL is promoted by Mr. Shuab Ahmed (Chairman and MD), who has more than two decades of experience in the buffalo meat processing industry through various other firms in similar businesses. Extensive experience and established relationships with buyers and suppliers have supported MEPL's operations over the years.

Favourable location of manufacturing facility provides easy access to key raw material – The Group's facilities are at Sahibabad (Uttar Pradesh), Unnao (Uttar Pradesh) and Dera Bassi (Punjab). These regions have a sizeable buffalo population, ensuring easy availability of raw material.

Recovery in scale supporting a gradual improvement in coverage metrics – The Group has reported a healthy growth of 16% in its revenues at Rs. 997 crore in FY2023 against Rs. 861 crore in FY2022 on account of improved geographical diversification

and healthy sales volumes from key markets. This coupled with a slight increase in margins led to an improvement in cash accruals. This is supporting a gradual improvement in coverage metrics, reflected in an interest cover of 2.8 times and NCA/TD of 15% in FY2023 (provisional estimate).

Credit challenges

Thin operating margins – The Group's operating profit margin improved to 2.4% in FY2023 from 1.7% in FY2022, however, this still remains thin. This is owing to the limited value addition in the buffalo meat processing business. This coupled with working capital-intensive nature of operations also resulted in high utilisation of working capital limits.

Commoditised nature of business and intense competition – The buffalo meat processing industry is highly fragmented and competitive because of a large number of organised players, along with numerous mid-sized players. The competition is further aggravated by other meat-exporting nations, such as Brazil and Australia. This limits the pricing flexibility and, thus, the profitability of Indian players.

Exposure to importing countries' political and economic scenario and foreign currency fluctuation risk – The Group remains exposed to any change in trade policies, as well as the political and economic scenario of the key meat importing countries. Further, the Group's profitability is exposed to the volatility in foreign currency exchange rates, as most of its revenue is dominated by exports.

Inherent industry risk of disease outbreak and socio-political risk associated with sensitive nature of business – The Group's business is exposed to significant challenges from the risk of disease outbreak in the buffalo population. Further, the socio-political risk associated with the industry poses a threat to the industry's as well as the Group's growth.

Liquidity position: Adequate

The Group's liquidity position is adequate, with expected cash flow from operations remaining sufficient to meet the margin funding requirements for working capital. The Group's adequate liquidity position is corroborated by its adequate cushion in the form of undrawn fund-based working capital limits. The average utilisation against the drawing power stood at 88% during the past 12 months ending July 2023. Moreover, the Group has cash and cash equivalents of Rs. 4.12 crore as of March 31, 2023, which provides comfort. Further, absence of any external long-term debt obligations and capital expenditure plans in the near term is expected to support the Group's liquidity position to some extent.

Rating sensitivities

Positive factors – The rating may be upgraded, in case of a sustained improvement in profitability, debt coverage metrics and liquidity position.

Negative factors – The rating may be downgraded, if any pressure on revenues and profitability results in weakening of debt coverage metrics, with an interest cover of less than 2.0 times, on a sustained basis. Additionally, pressure on the liquidity with limit utilisation of more than 95% against the drawing power, on a sustained basis, could be a negative trigger.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the rating, ICRA has taken a consolidated view of MEPL and AI Super Frozen Private Limited given the close business, financial and managerial linkages between the same.

About the company

Incorporated in September 1997, Mirha Exports Private Limited (MEPL) is a private limited company involved in processing and exporting frozen meat products from India. In FY2005, MEPL purchased a running unit with meat processing facilities in Sahibabad, Uttar Pradesh. In April 2012, it completed the capacity expansion at its Sahibabad unit and increased the capacity to 60 MT per day from 20 MT per day. In February 2011, MEPL had set up an integrated meat processing plant as some big exporting countries mandate the presence of a slaughter house to be eligible for export. This plant is located in Joula Kurdh village in the Dera Bassi district of Punjab. At present, this plant has a 300 MT per day capacity, which translates into ~2,400 buffaloes per day, however, the utilisation is limited to approx. 2,000 buffaloes per day at present. The plant is approved by the Indian Government's Agricultural and Processed Food Products Export Development Authority (APEDA) under the administrative control of the Ministry of Commerce and Industry.

In FY2016, Mirha incorporated another company, ASFFPL, to diversify its business in Uttar Pradesh. Mirha holds a 99.9% stake in ASFFPL.

Key financial indicators (audited/provisional)

MEPL consolidated	FY2022	FY2023*
Operating income	860.7	997.4
PAT	-1.8	8.3
OPBDIT/OI	1.7%	2.4%
PAT/OI	-0.2%	0.8%
Total outside liabilities/Tangible net worth (times)	2.4	2.1
Total debt/OPBDIT (times)	7.7	4.7
Interest coverage (times)	2.3	2.8

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; Amount in Rs crore, * Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2024)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as of July 31, 2023	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
				Aug 25, 2023	Dec 02, 2022	Nov 30, 2021	Sept 17, 2020
1 Fund-based	Short-term	114.00	--	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+	[ICRA]A4
2 Non-Fund-based	Short-term	15.00	--	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+	[ICRA]A4
3 Unallocated	Short-term	44.00	--	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Short-term – Fund-based	Simple
Short-term – Non-Fund-based	Very Simple
Short-term – Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating
NA	Short-term – Fund-based	-	-	-	114.00	[ICRA]A4+
NA	Short-term – Non-Fund-based	-	-	-	15.00	[ICRA]A4+
NA	Short-term – Unallocated	-	-	-	44.00	[ICRA]A4+

Source: Company

Annexure II: List of entities considered for consolidated analysis

Company name	MEPL Ownership	Consolidation Approach
Mirha Exports Private Limited (Parent entity)	-	Full Consolidation
Al Super Frozen Food Private Limited	99.99%	Full Consolidation

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