

November 29, 2024

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

The rating reaffirmation for the bank facilities of Mirha Exports Private Limited (MEPL) takes into account the steady operational performance of the entity, aided by 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, MEPL'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 action also considers the healthy improvement in the consolidated revenues, which rose by 19% to Rs. 1,146 crore in FY2024 from Rs. 963 crore in FY2023. Moreover, the company has reported revenues of more than ~Rs. 700 crore till October 2024 on account of improved geographical diversification and healthy sales volumes from the key markets.

The rating is, however, constrained by the limited cushion in the working capital limits of the company owing to the working capital intensive operations and weak operating profitability because of 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 materials – The manufacturing 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.

Improvement in scale in past few years – The company, on a consolidated basis, reported a healthy growth in its revenues, which rose by 19% to Rs. 1,146 crore in FY2024 from Rs. 963 crore in FY2023 on account of improved geographical diversification and healthy sales volumes from key markets. The company is expected to report a healthy growth of more than 10% in the current fiscal as well.

Credit challenges

Thin operating margins – The operating profit margin has remained low in the range of 2-2.5% 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. This limits the pricing flexibility and, thus, the profitability of Indian players.

Exposure to political and economic situations of importing countries besides foreign currency fluctuation risk – The company 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 – MEPL's business is exposed to the risk of disease outbreak in the buffalo population. Further, the socio-political risks associated with the industry poses a threat to the industry's as well as the Group's growth.

Liquidity position: Adequate

The company's liquidity position is adequate, with expected cash flow from operations remaining sufficient to meet the margin funding requirements for working capital. The average utilisation of fund based limits for the company (including AI Super) against the drawing power stood at 86% during the past 12 months ending in September 2024. Moreover, the company has cash and cash equivalents of more than Rs. 20 crore as of October 2024, which provides comfort. Further, absence of any external long-term debt obligations and capital expenditure plans in the near term are expected to support the liquidity position.

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 weakens the debt coverage metrics, and the interest cover stays below 2.5 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	The rating is based on the consolidated financials of Mirha Exports Private Limited. As of March 31, 2024, the company had two subsidiaries, details of which can be found in Annexure II.

About the company

Incorporated in September 1997, Mirha Exports Private Limited (MEPL) is 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 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 capacity of 300 MT per day, which translates into ~2,400 buffaloes per day, however, the utilisation is limited to approximately 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, Al Super Frozen Foods Private Limited (ASFFPL) to diversify its business in Uttar Pradesh. Mirha holds a 99.98% stake in ASFFPL.

Key financial indicators

Mirha Consolidated	FY2023	FY2024*
Operating income	963.2	1,146.1
PAT	11.7	8.1
OPBDIT/OI	2.5%	2.0%
PAT/OI	1.2%	0.7%
Total outside liabilities/Tangible net worth (times)	1.6	1.6
Total debt/OPBDIT (times)	5.3	5.1
Interest coverage (times)	2.9	2.4

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	Current rating (FY2025)			Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				November 29, 2024	Aug 25, 2023	Dec 02, 2022	Nov 30, 2021
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+	[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 and Outlook
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	Mirha Ownership	Consolidation Approach
Mirha Exports Private Limited (Parent entity)	100% (Rated entity)	Full Consolidation
AI Super Frozen Food Private Limited	99.98%	Full Consolidation
AI Arsh Exports Private Limited	54.3%	Full Consolidation

Source: Annual report

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