February 12, 2024

Mohan Mutha Exports Private Limited: Long-term rating downgraded to [ICRA]BB+; short-term rating downgraded to [ICRA]A4+; outlook on long-term rating revised to Negative from Stable

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term Loan	35.00	35.00	Downgraded to [ICRA]BB+ from [ICRA]BBB-; outlook on the long-term rating revised to Negative from Stable
Long-term Fund-based – Working Capital Facilities	155.00	155.00	Downgraded to [ICRA]BB+ from [ICRA]BBB-; outlook on the long-term rating revised to Negative from Stable
Short-term – Non-fund Based	85.00	85.00	Downgraded to [ICRA]A4+ from [ICRA]A3
Long-term/ Short-term – Unallocated	25.00	25.00	Downgraded to [ICRA]BB+/[ICRA]A4+ from [ICRA]BBB-/[ICRA]A3; outlook on the long-term rating revised to Negative from Stable
Total	**300.00**	**300.00**	

**Instrument details are provided in Annexure-I*

Rationale

The downgrade in ratings outstanding on the bank lines of Mohan Mutha Exports Private Limited (MMEPL/the company) takes into account the expected deterioration in the company's credit profile in the near-to-medium term due to the ongoing geopolitical tension between Maldives and India. Over 95% of MMEPL's revenues are generated from exports to Maldives and the company derives over 60% of its revenues from government-owned entities in Maldives. The company's operations are inherently working capital intensive, wherein it offers a credit period of ~180 days. However, debtors over 270 days have increased significantly in the recent months, and as on December 31, 2023, it accounted for ~50% of total debtors, thus stretching the overall liquidity position. ICRA understands from the company that it expects to recover the receivables gradually, going forward; However, given the ongoing geopolitical tensions, meaningful recovery in the same and improvement in working capital cycle needs to be seen. Also, MMEP's revenues grew at a healthy pace in FY2023 and 9M FY2024 and the company reported profit after tax of Rs. 69.0 crore for 9M FY2024. However, the impact of the ongoing geopolitical tension on the company's revenues and earnings remains to be seen, and ICRA will continue to monitor the same. Further, ICRA notes that the company has significant related party transactions and material increase in the same would be a rating sensitivity.

The Mohan Mutha Group is an established and integrated group present across the value chain in Maldives. Also, MMEPL has established relationship with its customers, and its supplier base is well-diversified with no single supplier contributing to more than 10% of purchases. Further, the promoters have been periodically infusing funds into the company by way of unsecured loans (Rs. 64.5 crore as on December 31, 2023). The promoters remain committed to provide timely and adequate financial support going forward as well, should there be a need.

Key rating drivers and their description

Credit strengths

Established and integrated Group presence across the value chain in Maldives – MMEPL's promoters, Mr. Mohan Lal Mutha and sons, have been involved in the infrastructure and commodity trading businesses since 1957 through the Mohan Mutha Group of entities. Apart from MMEPL, the Group has various other companies engaged in logistics and infrastructure businesses. MMEPL avails logistics services from Mohan Mutha Translogistics Private Limited (MMTPL), a Group company, while the vessels for transportation are rented by HRS Infratech Private Limited (HIPL). The Group's integrated nature of operations adds to the company's cost-effectiveness and helps it to capitalise opportunities across the value chain.

Long-term relationships with customers; diversified supplier base – The company's customer profile mainly includes government-owned entities and other reputed entities of Maldives. Further, MMEPL's supplier base is well-diversified with no single supplier driving more than 10% of purchases. The diversity mitigates risks of unavailability of material in a timely and adequate manner to a large extent.

Periodic fund infusion in the form of unsecured loans by the promoters –The promoters have been periodically infusing funds into the company by way of unsecured loans (Rs. 64.5 crore as on December 31, 2023). The promoters remain committed to provide timely and adequate financial support going forward as well, should there be a need.

Credit challenges

High working capital intensity – The company derives over 60% of its revenues from sales to Maldivian government-owned entities for which it offers a credit period of ~ 180 days. This has traditionally resulted in relatively high working capital intensity. However, debtors over 270 days have increased significantly in the last year and accounted for ~50% of the debtors as on December 31, 2023. This has in turn led to stretch in MMEPL's liquidity position as well. ICRA understands from the company that it expects to recover receivables gradually, non-recovery of the same will result in further stretch in liquidity.

Potential impact on business because of the ongoing geopolitical tension due to geographic concentration in Maldives – Maldives contributes to over 95% of MMEPL's revenues over the years. In terms of clientele, the company derives over 60% of its revenues from export of construction material and food products to two Maldivian Government-owned entities in Maldives. This exposes the company's revenues region-specific/geopolitical risks and to loss of customers or reduction in off-take from top customers, especially in the light of the ongoing tension between Maldives and India.

Significant related party transactions – MMEPL avails logistics services from Group company, MMTPL, which in turn hires the vessels for shipping from HIPL, MMEPL's subsidiary. Further, MMEPL sells construction materials to its step-down subsidiary, Mega Infra Projects Pvt. Ltd. The related party transactions are significant, and any material increase in intercompany transactions would be monitorable.

Margins vulnerable to rise in input costs and unfavourable forex movements – MMEPL's product profile comprises materials like bitumen, aggregates, steel, cement, etc, apart from food products such as sugar. The procurement of these materials happens as and when the orders are executed. While the inward freight costs are borne by the suppliers, MMEPL bears freight costs from the point of delivery by suppliers to the point of delivery (typically closer to the ports) to end-customer locations. On the other hand, the company's orders are fixed-price in nature, with no subsequent incremental cost recoveries. This exposes MMEPL's margins to rise in material/freight costs and any unfavourable forex fluctuations.

Liquidity position: Stretched

MMEPL's liquidity is stretched with the elongation in receivables in the recent months and likely contraction in revenues over the near-term. The company had sanctioned fund-based working capital facilities of Rs. 125 crore and non-fund-based working capital facilities of Rs. 115 crore as on December 31, 2023. Of this, Rs. 76.4 crore was unutilised in the fund based working capital facilities and Rs. 34.9 crore was unutilised in the non-fund based working capital facilities as on as on December 31, 2023. The company also had free cash and bank balances of Rs. 19.4 crore as on December 31, 2023. Against these sources of cash, the company has consolidated principal repayments on term loans of Rs. 6.8 crore in Q4 FY2024 and Rs. 20.9 crore in FY2025 on its existing and sanctioned loans, apart from likely interest costs of Rs. 20-24 crore per annum. The company had fund-based facilities of 48.6 crore in the form of packing credit outstanding as on December 31, 2023, with the entire amount falling due for repayment over the next 4 months. As far as non- fund-based facilities are concerned, the company had Rs. 80.1 crore outstanding as on December 31, 2023, for mainly performance/bank guarantees for which maturity of Rs. 6.9 crore mature over the next 4 months from February 2024 till May 2024. Further, the company has annual capex plans of Rs. 25-30 crore over the medium term to be funded through term loan and unsecured loans from promoters beyond internal accruals, although the plan is in nascent stages.

Rating sensitivities

Positive factors – ICRA could revise the outlook on the long-term rating to Stable with material improvement in collections and sharp improvement in earnings and liquidity position.

Negative factors – Negative pressure on the ratings could arise with any sharp deterioration in earnings or sustained deterioration in working capital cycle and liquidity position. Moreover, a longer period of geopolitical risks impacting operations, or material increase in related party transactions could also be rating sensitivities.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the company's consolidated financial profile.

About the company

With over five decades of its presence, Mohan Mutha Exports Private Limited is an exporter of construction and infrastructure raw materials and fittings, food and commodities, apparels and textiles, etc, primarily to Maldives (generating over 95% of revenues). Construction materials drive over 60% of revenues, followed by food materials (~20–30%) and other products. Over 60% of revenues come from exports to Maldivian government-owned entities. The company is closely held by the promoters through a holding company, Mohan Mutha Sons Investments Private Limited (MMSIPL).

MMEPL has a 100% subsidiary HRS Infratech Private Limited, which owns and provides fleets of ships on rent; while a step-down subsidiary, Mega Infra Projects Pvt. Ltd., provides construction machinery on rent; and a joint venture (JV) firm, Mohan Mutha Ashoka Buildcon LLP, carries out infrastructure projects in and around Maldives. The company also has a subsidiary, Mohan Mutha Exports Private Limited, Male, and a JV, Mohan Mutha Point Three LLP, which are non-operational and are expected to be wound up in the near term. Further, the company has recently formed a JV with Huta Marine Works Limited for certain specific infrastructure projects. Apart from these entities, the Group has other entities who are involved in logistics and infrastructure businesses.

The Group is managed by Mr. Hansraj Mutha, Mr. Ramesh Kumar Mutha and Mr. Suresh Mutha, sons of the promoter, Late Mohan Lal Mutha. The Group has a succession plan in place and the third generation of the Mutha family are involved in the day-to-day business operations.

Key financial indicators (audited)

Consolidated	FY2022	FY2023
Operating income	660.5	826.4
PAT*	45.6	56.8
OPBDIT/OI	11.9%	13.6%
PAT/OI*	6.9%	6.9%
Total outside liabilities/Tangible net worth (times)	1.2	1.3
Total debt/OPBDIT (times)	2.0	2.2
Interest coverage (times)	8.0	4.3

*Source: Company, ICRA Research; Note: Amount in Rs. crore; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation; Financial ratios in the report are ICRA adjusted figures and may not be comparable with results reported by the company in some instances. *Excluding profits from JV*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current rating (FY2024)				Chronology of rating history for the past 3 years		
		Type	Amount rated (Rs. crore)	Amount outstanding as of Dec 31, 2023 (Rs. crore)	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021
					Feb 12, 2024	Mar 30, 2023	Jan 11, 2022	Nov 30, 2020
1	Long-term – fund-based - Term loans	Long term	35.0	13.7	[ICRA]BB+ (Negative)	[ICRA]BBB- (Stable)	-	-
2	Long-term – fund-based – Working Capital Facilities	Long term	155.0	--	[ICRA]BB+ (Negative)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)
3	Short -term – Non-Fund Based	Short – term	85.0	--	[ICRA]A4+	[ICRA]A3	[ICRA]A3	[ICRA]A3
4	Long-term/ short-term - Unallocated	Long term and short term	25.0	--	[ICRA]BB+ (Negative)/ [ICRA]A4+	[ICRA]BBB- (Stable)/ [ICRA]A3	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – fund based – Term Loan	Simple
Long-term – fund based – Working Capital Facility	Simple
Short -term – Non-Fund Based	Very Simple
Long-term/ short-term – Unallocated	NA

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	Long-term – fund based – Term Loan	FY2022	12.8%	FY2025	35.00	[ICRA]BB+ (Negative)
NA	Long-term – fund based – Working Capital Facility	NA	NA	NA	155.00	[ICRA]BB+ (Negative)
NA	Short -term – Non-Fund Based	NA	NA	NA	85.00	[ICRA]A4+
NA	Long-term/ short-term – Unallocated	NA	NA	NA	25.00	[ICRA]BB+ (Negative)/ [ICRA]A4+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Mohan Mutha Exports Private Limited	NA	Full Consolidation
HRS Infratech Pte Ltd	100.00%	Full Consolidation
Mega Infra Projects Pvt Ltd (MIPL)	100.00%	Full Consolidation
M20 Hospitality Ventures Pte. Ltd. (100% holding)	100.00%	Full Consolidation
Mohan Mutha Exports Private Limited, Male	100.00%	Full Consolidation
Mohan Mutha Ashoka Buildcon LLP	50.00%	Equity Method
Mohan Mutha Point Three LLP	65.00%	Equity Method
Huta Marine and Mohan Mutha Exports Private Limited	49.00%	Equity Method

Source: Company; Note: ICRA has taken a consolidated view of the parent (MMEPL), its subsidiaries and joint ventures while assigning the ratings

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