

## BMR Exports

January 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Short-term bank facilities	40.00 (Reduced from 45.00)	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

Rating assigned to bank facilities of BMR Exports (BMRE) continues to derive strength from vast experience of its promoter in aquaculture, shrimp processing and export business, integrated operations at group level and long track record of operations.

However, the rating is constrained by working capital-intensive operations, profit margins susceptible to raw material volatility, regulatory and seasonality risk associated with seafood industry and foreign exchange fluctuation.

### Rating Sensitivities: Factors likely to lead to rating actions

#### Positive Factors:

- Growing scale of operation above ₹200 crore, while maintaining stable operating margins above 6%.
- Improving overall gearing below 1.50x

#### Negative Factors:

- Significant capital withdrawal or debt-funded capex, leading to deteriorating overall gearing upwards of 1.90x.
- Moderating profitability marked by PBILDT margins dropping below 4.00% on a consistent basis.
- Elongating working capital cycle beyond 160 days, resulting in deteriorating liquidity position

**Analytical approach:** Standalone

**Outlook:** Stable

A stable outlook reflects that the company is likely to sustain its financial and operational performance in the medium-term, basis stable demand for shrimps across exported countries.

### Detailed description of the key rating drivers

#### Key Strengths

#### Vast experience of promoter and accredited processing facilities of the group:

BMRE's proprietor, B. Masthan Rao, has been associated with the aquaculture business for more than two decades. He started with a prawn hatchery in 1991 and set up an integrated seafood plant in 2007. The group has grown into 11 hatcheries, 1,000 hectares farming, on-site labs for microbiological and antibiotic analysis, feed mills, and a processing plant covering 50,000 sq. ft. in Damavaram, Nellore, Andhra Pradesh. The group has also established India's first Broodstock Multiplication Centre (BMC) in a joint venture (JV) with M/s Blue Genetics since January 23, 2019. The group's processing unit, farms, hatcheries and feed mill are accredited with certifications from Best Aquaculture Practices (BAP), Hazard Analysis Critical Control point (HACCP) and Aquaculture Steward Council (ASC). The group also has USFDA and EU certification for seafood export to the USA and European countries, respectively.

#### Integrated nature of business operations located in the aquaculture zone:

The group's processing plant is in the prime aquaculture zone at Damavaram, Nellore, Andhra Pradesh, enabling procurement of raw material and process them in short time. The group mainly purchases raw materials from farmers operating in local proximity and coastal Andhra Pradesh. BMR also procures from Maharashtra, Orissa, West Bengal, and Gujrat. Although, BMRE does not have a dedicated processing facility or feed plant, it capitalises on the group's integrated end-to-end set-up. A full integration and presence across the value chain, gives the firm a competitive advantage.

#### Stable operational and financial performance

BMRE is the export arm of the group. Historically, majority of the firm's revenues come from exports to the US market. Following subdued demand from the US post H2FY23, the firm increased exports to Japan. In FY23, around 46% revenue was earned from exports to Japan followed by 32% from exports to the US. TOI of BMRE remained flat at ₹135.23 crore in

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications.

FY23 against ₹ 135.95 crores in FY22. PBILDT margin also stayed rangebound at 5.23% in FY23 as against 5.75% in FY22. The firm recorded a turnover of ₹59.38 crore till H1FY24.

### Key Weaknesses

#### Moderately leveraged capital structure and debt coverage indicators

The capital structure of BMRE remained moderately leveraged, with overall gearing of 1.67x as on March 31, 2023. Other debt coverage indicators also stayed moderate with interest coverage ratio of 2.64x (PY: 3.31x) and Total Debt to GCA of 11.70 years (PY:10.72 years) as on March 31, 2023.

#### Inherent capital withdrawal risk

Due to proprietorship constitution, the firm is exposed to inherent capital withdrawal risk. The firm made capital withdrawal of ₹0.46 crore in FY23, with withdrawals in the past. Substantial capital withdrawals would impact net worth and eventually the firm's financial profile. Significant capital withdrawal would be a critical factor and monitorable from a credit perspective.

#### Regulatory risk and seasonality associated with seafood industry

Aqua cultured shrimps are seasonal and the crop is harvested twice a year, between July-August and October-December, so the company has to regularly maintain stocks of finished goods, resulting in high working capital. Government policies keep varying depending on macro-economic factors such as anti-dumping duties (ADD) and inflation among others, increasing expenses in the seafood industry. The group is also susceptible to fluctuation in foreign currency, affecting profitability. As a policy, the company hedge the extent of PCFC and foreign bills on discount, mitigating forex risk to an extent.

#### Liquidity – Adequate

Liquidity of the firm is adequate, marked by expected cash accruals of ₹5.02 crores in FY24 against repayment obligations worth ₹1.4 crores. Cash and cash equivalents stood at ₹2.16 crores as on March 31, 2023. The operating cycle of BMRE stood stretched at 133 days in FY23 considering higher inventory days and collection period. Inventory days stood at 83 days in FY23 (P.Y: 90 days). The firm must stock inventory to meet anticipated demand for festive season (August-December) across destinations. As of September 2023, average working capital utilization for past 12 months stood highly utilized at 99.18% (sanctioned limit is ₹40 crores).

#### Industry outlook

India is the third-largest fish and aquaculture-producing country. It accounts for 7.96% of the total global fish production. The industry employs more than 28 million people in India. About 17% of India's agricultural exports are fish and fish products. In 2021-22, the country exported marine products of quantity 1.36 million MT. Asia-Pacific has been leading the shrimp market for a significant period. Demand for shrimp is increasing because it is rich in nutritional value and a low-fat protein. Exports for the same year were at US\$7.76 billion, increasing by about 30% over previous year. After reaching a new peak of US\$7.76 billion in 2021-22, India had set a target of US\$8.6 billion in seafood exports for the current fiscal.

#### Applicable criteria

- [Policy on default recognition](#)
- [Financial Ratios – Non financial Sector](#)
- [Liquidity Analysis of Non-financial sector entities](#)
- [Rating Outlook and Credit Watch](#)
- [Short Term Instruments](#)
- [Manufacturing Companies](#)

#### About the company and industry

##### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Seafood

BMRE is part of the BMR group (BMR), established by B Masthan Rao in 1991. BMRE is a proprietorship concern of B Masthan Rao established in 2007 and the export wing of BMR group, engaged in exporting a wide range of products from raw shrimp, cooked shrimp, and value-added products under their brands – BMR Classic and BMR Gold. The group has a 65 hectares shrimp farm at Nellore with an annual capacity to produce 1,600 MTPA of shrimp. The group is one of the few vertically integrated players in the industry, with presence across the entire shrimp value chain from hatcheries to exports.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	132.47	135.23	59.38
PBILDT	4.33	7.07	4.07
PAT	3.74	2.70	1.57
Overall gearing (times)	1.84	1.67	NA
Interest coverage (times)	1.36	2.64	NA

A: Audited UA: Unaudited; NA: Not available; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not Applicable

**Rating history for last three years:** Please refer to Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - ST-Packing Credit in Foreign Currency		-	-	-	40.00	CARE A3

#### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - ST-Packing Credit in Foreign Currency	ST*	40.00	CARE A3	-	1)CARE A3 (04-Jan-23)	1)CARE A3 (11-Mar-22) 2)CARE A3 (07-Apr-21)	-
2	Fund-based - ST-Packing Credit in Foreign Currency	ST*	-	-	-	-	1)Withdrawn (11-Mar-22) 2)CARE A3 (07-Apr-21)	-

\*Short term.

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - ST-Packing Credit in Foreign Currency	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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