

Mekworld Marines and Exports Private Limited

June 24, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	10.00	CARE BB-; Stable	Assigned
Long Term / Short Term Bank Facilities	29.00	CARE BB-; Stable / CARE A4+	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Mekworld Marines and Exports Private Limited (MMAEPL) is constrained due to the nascent stage of operations, exposure to raw material volatility & forex risk and presence in highly regulatory industry and exposed to water borne diseases. However, these constraints can be partly mitigated by the experience of promoters, moderate capital structure, locational advantage of plant and stable outlook of the industry.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Consistent improvement in scale of operations above Rs.180 crore with stable profitability margins above the range of 8%
- Improvement in overall gearing below 1.50x

Negative factors

- Decline in operating margins below 6% on a consistent basis.
- Any major capex plan leading to deterioration in capital structure above 3.5x

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity will continue to benefit from the extensive experience of the partners in the industry.

Detailed description of the key rating drivers:

Key weaknesses

Short Track record of the company

MMAEPL was registered as private limited company in 2021. The company started its operation in January 2024. MMAEPL has majorly exported to UAE, Vietnam and Malaysia till FY24. In FY25, the company is expecting to start exports in USA. Hence, MMAEPL's turnover is expected to be improved further.

Susceptible to volatility in raw material prices and regulatory risks

The shrimp processing and export business is highly fragmented with presence of several small players and dependence on shrimp farms for raw material which limits bargaining power. Additionally, the procurement price of shrimp depends on catch and availability during a particular period, which exposes the company to volatility in product prices. Shrimp prices in the international trade were low until July 2020, post which prices had begun to recover. However, from Q1FY23, the prices have begun to reduce and reached 3-year low prices in July 2023.

Presence in highly regulatory industry and exposed to water borne diseases

The shrimp market is characterized by uncertainty, which is more pronounced in supply side than from demand side. Shrimp is a depleting commodity and increased severity of regulations on excessive fishing has rendered supply more irregular. Thus, the governments around the world regularly put-up new regulations regarding international trade of shrimp. However, NAS is procuring shrimp from shrimp farms which help it to overcome the supply irregularities. There are varieties of lethal viral and bacterial diseases that may affect shrimp. The fact that the shrimps are kept in clusters, acts as an exponential factor in multiplying the disease caught by a single shrimp and wipe out the almost 90% of total shrimp population in a particular farm. A major transfer vector of many of these viruses is the water itself; and thus, any virus outbreak also carries the danger of decimating shrimp living in the wild.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key strengths

Experienced promoters

The Directors are in the business of Shrimp culture & other aqua life products and in Food Processing (Rice Processing). Director Mr. Meka Ramakrishna is having more than 20 years of experience in the aquaculture and Shrimp Trading in Temperature-Controlled conditions. Director Mr. Meka Srinivasa Rao is having more than 25 years of experience in the aquaculture and Shrimp Trading. Mr. Meka Koteswara Sidhartha, Director is a B. Tech graduate son of Mrs. Meka Sasikala and he is looking after the operations and management of the company. Mr. Meka Lakshmi Naga Sandeep, Director is a B. Tech graduate son of Mrs. Meka Sasikala and he is looking after the operations and management of the two units namely M/s. Vishnu Priya Modern Rice Mill and Sri Mathangi Matha Agros Pvt Ltd. He got experience in construction activity of Rice Mills and having technical knowledge about the industry. Director Arepalli Surya Kumari is the sister of Mr. M. Seshu Babu (Husband of Mrs. Meka Sasikala) and she is also having more than 20 years of experience in the aquaculture and Shrimp Trading.

The company has also appointed Mr. Voodi Suryaprakash Rao as the GM who is a experienced aquaculture professional with extensive experience in culture systems (earthen ponds, freshwater cages, and RAS systems) including stocking and acclimatisation techniques with in depth experience of processing, quality assurance, and export of value-added shrimps and seafood.

Moderate capital structure:

The overall gearing of the company has remained moderate and between of 1.05x and 1.95x from FY22- FY23. The overall gearing increased in FY23 from FY22 on account of increase in total debt from Rs. 3.78 crores in FY22 to s. 19.27 crores in FY23. The gearing is high at 1.95 as on March 31, 2023, on account of increase in total debt for the past two financial years. However, the company expects an improvement in the overall gearing ratio and other debt coverage indicators from the projected year FY25, driven by an increase in tangible net worth.

Favourable location of plant

MMAEPL's processing plant is located at West Godavari, one of the prime aquaculture zones near west coast in Andhra Pradesh, which enables the firm to procure raw materials and process them immediately after harvest. This results in better quality products as well as lower transportation costs.

Liquidity: Stretched

Stretched liquidity is marked by cash and bank balance of Rs. 0.74 crore and no generation of cash accruals as of March 31, 2023, as against repayment of about Rs. 1.27 crore in FY24 paid through internal accruals and by infusing funds from the promoters in the form of unsecured loans. Working capital utilisation remained about 9% for past 12 months ended February 29, 2024. However, the company has infused unsecured loan amounting to Rs. 10 crores to meets its working capital requirement.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

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[Short Term Instruments](#)

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

MMAEPL is promoted by Sasikala Meka, Surya Kumari Arepalli, Ramakrishna Meka, Meka Srinivasarao, Lakshmi Naga Sandeep Meka. The company is engaged in processing and exporting of frozen shrimps. The key product line consists of sea caught and aquaculture shrimps, processed, raw in frozen blocks or IQF forms, as per the customer specifications. The company exports various grades of shrimp to countries such as the Malaysia and Vietnam. Sea tiger, whites, pink, brown, Vannamei, and black

tiger are amongst the products available. MMAEPL operates from its processing facilities located in Andhra Pradesh with a capacity of 15 metric tonnes per day.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (UA)
Total operating income	0.00	0.00	15.50
PBILDT	-0.02	-0.02	1.37
PAT	-0.02	0.00	0.37
Overall gearing (times)	1.05	1.95	NA
Interest coverage (times)	-4.48	-12.91	2.54

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 Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the 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 - LT-Term Loan		-	-	31-01-2031	10.00	CARE BB-; Stable
Fund-based - LT/ ST-EPC/PSC		-	-	-	29.00	CARE BB-; Stable / CARE A4+

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 2024-2025	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
1	Fund-based - LT-Term Loan	LT*	10.00	CARE BB-; Stable	-	-	-	-
2	Fund-based - LT/ ST-EPC/PSC	LT/ST*	29.00	CARE BB-; Stable / CARE A4+	-	-	-	-

*LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the 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 - LT-Term Loan	Simple
2	Fund-based - LT/ ST-EPC/PSC	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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