

Mangalore Fishmeal and Oil Company

September 10, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities	11.67	CARE C; ISSUER NOT COOPERATING* (Single C; Issuer not cooperating)	ISSUER NOT COOPERATING, on the basis of best available information
Total	11.67 (Rupees Eleven Crore and Sixty-Seven Lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated June 22, 2018, placed the rating(s) of Mangalore Fishmeal and Oil Company (MFOC) under the 'issuer non-cooperating' category as MFOC had failed to provide information for monitoring of the rating. MFOC continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated August 23, 2019, August 26, 2019, August 27, 2019, and August 28, 2019. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the public available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

Detailed description of the key rating drivers

At the time of last rating on June 22, 2018 the following were the rating strengths and weaknesses:

Key Rating Weakness

Small scale of operations and low networth base

The firm's total income was Rs.17.3 crore in FY14 (refers to the period April 1 to March 31 - Rs.15.7 crore in FY13) although income has seen consistent growth. The firm has a networth base of Rs.3.50 crore as on Mar'14, total debt of Rs.6.50 crore, resulting in a gearing ratio of 1.95x as on Mar'14. This results in the firm having limited financial flexibility in its operations.

Presence in a fragmented industry with intense competition and minimal product differentiation

The Indian sea food industry is marked by limited product differentiation and presence of numerous organized and unorganized players due to low entry barriers in the sector on account of limited capital and technological requirements. In view of the same the sector has intense competition in its operating spectrum having a negative bearing on the profitability.

Thin margin and modest gearing

The financial risk profile of the firm is characterized by low profitability margins and modest gearing and debt service coverage indicators. The firm's turnover stood at Rs.17.3 crore in FY14 (Rs.15.7 crore in FY13). The firm achieves 75% of its turnover in the months of September to January, which is the peak season for the fishing industry. The period June –August is off-season for the fishing industry, because of the onset of monsoon during those periods. The PBILDT margins of the firm remained stable at 6.09% in FY14 (6.06% in FY13). The overall gearing ratio stood at 1.95x as on Mar'14 on account of higher working capital utilization and unsecured loans from companies and parties related to the promoters to the tune of Rs.0.89 crore. The interest coverage ratio was modest at 1.69x in FY14 (1.98x in FY13).

Working Capital Intensive Nature of Operations and tight liquidity

The average inventory holding period was 83 days, the collection period was 45 days and the creditor period was 14 days in FY14. The fishing industry is characterized by low creditor days because the firm has to deal with local fisherman and agents to procure the raw material (fish) who require immediate payment, while seasonality requires inventory holding resulting in higher working capital requirement. The raw material (fish) is exposed to the vagaries of the climatic conditions in the region. During FY14, the firm had to procure large amount of raw material to meet certain export commitments of the sister concern M/s Sharief Marine Products, leading to higher inventory days. This resulted in higher working capital cycle for the firm, which was 115 days in FY14.

The firm has over 100% utilization of CC limits during the period July 2014 to June 2015. However, the banker confirms that though there are overdrafts in the CC limits, the account is regularized in 6-7 days.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

Key Rating Strengths

Experience of the Promoters

Mr Iqbal Ahmed, the Managing Director, is a B.E (Civil) graduate, has more than 22 years of experience in the construction business and has about six years of experience in the current firm. He is actively involved in the day to day operations of the firm with support from his wife Mrs Mumtaz Sahul, a B.Com graduate, having experience of more than one and half decade in construction business. She handles the operations and administration functions of the firm.

Advantage of the location being close to availability of raw materials

The plant is located on the coastal line of Karnataka at Mangalore. The main raw materials for the production of feeds are fishes and firewood. This location is popular for high quality Sardine variety of fish. Nearness to the coastal belt enables timely and sufficient availability of the raw material. The firm produces 44 MT per day of fish meal and 14 MT per day of fish oil on a daily basis. The firm has procured a new evaporator machine which has decreased the power consumption and increased fishmeal recovery by 3%. The new machine has also reduced the amount of wastage in the production process.

Established Customer Base

The firm manufactures Sardine Fish Meal, Fish Oil. The Fish oil produced finds application in aqua feeds, fish and poultry feeds as main ingredient and Fat liquor for the purpose of leather tanning and insecticides. The firm has customers namely C.P Aqua Culture (India) Pvt Ltd, Navanti Feeds, Suguna Chickens, Chandrashekar Exports, Blue Lines India etc. The firm provides the fish meal to these companies who further use it as an input for manufacturing of aqua feeds, poultry feeds etc. The firm also produces fish oil, major portion of which is exported to China through sister concern Sharief Marine Products Pvt Ltd (SMPL).

Liquidity Analysis

The firm has current ratio of 1.15x as on March 31, 2014 due to increase in inventory levels. The firm has quick assets in the form of cash and cash equivalents of Rs. 1.40 crore as on March 31, 2014. Further, the firm has liquidity cushion in the form of unutilized working capital borrowings of Rs. 4.59 crore as on March 31, 2014.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology-Manufacturing Companies](#)

About the Company

Mangalore Fish Meal and Oil (MFMO) is a partnership firm started in 2008 by 4 partners namely, Mr Mohammed Mustafa and Mr B M Mumtaz Ali, Mr A K Faisal, and Mr B A Moidin Bava. The partnership was reconstituted and the firm was acquired by Mr Iqbal Ahmed and his wife Mrs Mumtaz Sahul in 2010. The firm is engaged in manufacturing of Fish Meal, Fish Oil, Allied-Fish Products and Concentrated fish soluble. The firm has an installed capacity for processing the fish of 250 MT per day.

In FY14, MFMO had a Profit after Tax (PAT) of Rs.0.06 crore on a total operating income of Rs.17.30 crore, as against PAT and TOI of Rs.0.23 crore and Rs.15.71 crore, respectively, in FY14.

Brief Financials (Rs. crore)	FY13 (A)	FY14 (A)
Total operating income	15.71	17.29
PBILDT	0.95	1.05
PAT	0.23	0.06
Overall gearing (times)	2.21	1.95
Interest coverage (times)	1.98	1.68

A-Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	10.00	CARE C; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Term Loan	-	-	March 2018	1.34	CARE C; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-Term Loan	-	-	March 2018	0.33	CARE C; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

*Issuer Not Cooperating based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	10.00	CARE C; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE C; ISSUER NOT COOPERATING* (22-Jun-18)	1)CARE B; ISSUER NOT COOPERATING* (08-May-17)	-
2.	Fund-based - LT-Term Loan	LT	1.34	CARE C; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE C; ISSUER NOT COOPERATING* (22-Jun-18)	1)CARE B; ISSUER NOT COOPERATING* (08-May-17)	-
3.	Fund-based - LT-Term Loan	LT	0.33	CARE C; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE C; ISSUER NOT COOPERATING* (22-Jun-18)	1)CARE B; ISSUER NOT COOPERATING* (08-May-17)	-

*Issuer Not Cooperating based on best available information

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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