

Corlim Marine Exports Private Limited

December 02, 2022

Rating

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Short Term Bank Facilities	44.00	CARE A4 (A Four)	Rating removed from ISSUER NOT COOPERATING category and reaffirmed
Total Bank Facilities	44.00 (₹ Forty-Four Crore Only)		

Details of instruments/facilities in Annexure-1.

In absence of information required for the purpose of rating during previous surveillance/review exercises, CARE Ratings was unable to express an opinion on the rating of Corlim Marine Exports Private Limited (CMEPL) and in line with the extant SEBI guidelines, CARE Ratings had marked the rating of bank facilities of the company as 'ISSUER NOT COOPERATING'. During the last review, the company's rating was revised to 'CARE A4; ISSUER NOT COOPERATING'. However, the company has now submitted the requisite information and paid surveillance fees to CARE Ratings. CARE Ratings has carried out a full review of the rating and the rating stands at CARE A4.

Detailed rationale and key rating drivers

The rating assigned to the bank facilities of Corlim Marine Exports Private Limited (CMEPL) continues to be constrained by moderate scale of operations, leveraged capital structure and moderate debt coverage indicators. The rating also factors in working capital intensive nature of business and risks inherent to the seafood industry along with intense competition.

The rating, however, draws strength from the long track record of operations, experience of the promoters in the sea food industry, moderate profitability and established procurement network.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Growth in scale of operations marked by Total Operating Income (TOI) by more than 20% while maintaining the profit margins at sustained level
- Improvement in capital structure marked by overall gearing below 2 times
- Overall improvement in liquidity indicators with improvement in operating cycle

Negative factors – Factors that could lead to negative rating action/downgrade:

- Decline in total operating income by 30% or more with a subsequent dip in profitability
- Increase in debt levels than that of envisaged levels leading to deterioration of overall gearing in future
- Any deterioration in the operating cycle or liquidity position of the company

Detailed description of the key rating drivers

Key rating weaknesses

Moderate scale of operations: Total operating income of CMEPL improved during the last three years ended in FY22 at a compounded annual growth rate of 10.67%. The same improved to Rs. 215.35 crore in FY22 as against Rs. 184.73 crore in FY21, indicating a y-o-y growth rate of 16.57%. The growth was mainly attributable to export demand coupled with increased volume and realisation. TOI however, has been fluctuating in the past, due to COVID related disruptions, industry wide issues and State Government regulations. On a Standalone level, the TOI of CMEPL and its subsidiary Alby's Agro Private Limited (AAPL) stood at Rs. 68.03 crore and Rs. 59.21 crore respectively during 7MFY23 (Unaudited; refers to the period April 1 2022 to October 31 2022).

Leveraged capital structure and moderate debt coverage indicators: CMPL's total debt majorly comprises of working capital bank borrowings, term loan, vehicle loans and unsecured loans from the promoters and related parties. The capital structure of the company marked by the overall gearing ratio (treating subordinated unsecured loans of Rs.9.89 crore as a part of equity) stood at 4.69x as on March 31, 2022. Further, the debt coverage indicators stood moderate with interest coverage ratio of 3.18x and total debt to gross cash accruals at 11.86x as at the end of FY22. The solvency position continues to remain high despite improvement as compared to previous year.

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

Working capital intensive nature of operations: The company operates in working capital intensive nature of business, where reliance on working capital bank borrowings is normally high. The operating cycle of the company remained high at 166 days in FY22 due to inventory holding at 134 days due to seasonality associated with seafood availability. The company receives the payment within 60-90 days and makes the payment to creditors on an average of 45-70 days.

Risks inherent in the seafood industry: The main threat to shrimp industry is from outbreak of diseases. Furthermore, the Indian shrimp exports industry is highly fragmented given the low entry barriers and significant competition in the export market from other competing countries and threat from other seafood varieties. Moreover, government policies keep varying depending upon other macroeconomic factors like anti-dumping duties, inflation, etc., which increase the expenses of the companies operating on the seafood industry. The prospects of shrimp feed business remain linked to the performance of the shrimp industry.

Highly fragmented and competitive industry: Seafood Industry is a highly fragmented Industry with low entry barriers and low product differentiation. The industry has few organized while numerous unorganized small players which results in intense competition. In addition to the intense domestic competition, Indian exporters face competition from countries like Vietnam, Indonesia, and Thailand etc. The export prices are dependent on the demand and supply dynamics of the industry and competitive position of India against other markets in terms of prices and volumes. Also, Company exports more than 95% of its products and hence it is susceptible to the fluctuations in foreign exchange fluctuation.

Key rating strengths

Moderate Profitability: The company is focused on high value products like processing of vannamei shrimps, which have a higher demand and are available throughout the year as compared to seasonality of other sea food products. The profitability margins as marked by PBILDT margin stood in the range of 7.48% to 7.80% and PAT margin stood in the range of 0.95% to 2.49% during the last three years ended in FY22.

Long track record and experienced promoters in the sea food industry: CMEPL has a long track record of more than two & a half decades. The company is spearheaded by Mr. Rajinder Singh Jari a first-generation entrepreneur and a commerce graduate in the strength of Managing Director. Mr. Jari has been in the frozen food industry for about three & a half decade and has an experience in the seafood business due to his past experience in managing fishing trawlers. Mr. Jari looks after all the functional areas of the business with the support of professionals with emphasis given in procurement of raw materials, production, marketing operations etc. He is currently the Vice President of Seafood Exporter Association of India- Goa Office. He is ably supported by Mrs. Priti Jari (Director) (wife of Mr. Rajinder Jari) and Mr Piyush Jari, who have an experience in sea food industry and is actively involved in the day-to-day operations of the business. Further, the management is well supported with experienced personnel with continuously channelizing its marketing strategies to widen its market share in the international market.

Established procurement network across various locations: The company has an established procurement team which is stationed at all the major sea food markets in the Western (Maharashtra, Goa), and Southern region (Kerala, Karnataka, Tamil Nadu and Andhra Pradesh) of India. The company has tie-up with more than 80 network of dealers/agents with most of them solely procuring raw material for CMEPL across six states including Maharashtra, Kerala, Goa, Karnataka, Tamil Nadu and Andhra Pradesh. Each dealer further has tied up with more fishermen/farmers who do direct fishing or aqua-farming in the region.

Liquidity: Stretched

The liquidity is characterised by a sufficient cushion in accruals vis-à-vis repayment obligations and moderate cash & bank of balance of Rs.6.41 crore as on March 31, 2022. The GCA is expected to be in the range of Rs. 11-11.5 crore as against repayment obligations of Rs. Rs. 6-6.50 crore in FY23. However, the group operates in a working capital -intensive industry due to the seasonality associated with availability of raw material translating into relatively longer inventory holding period. The group procures from different states based on requirement. Operating cycle of the company remained elongated at 166 days in FY22 (147 days in FY21) primarily because of high inventory holding period. In view of congestion at destination port, owing to the time taken for the shipment to the export countries and also time taken for inspection and clearance, the overall turnaround time and operating cycle has increased. Furthermore, majority of the raw material is available from unorganized sources like aqua culture farmers, accordingly average creditors period remained moderate. In view of above, the reliance on working capital borrowings remained high, average utilization of working capital limits was at 97% in the past 12- month period ending October 2022.

Analytical approach: Consolidated

The analytical approach has been changed to consolidated as CMEPL holds 99.67% of shares of Alby's Agro Private Limited (AAPL).

List of subsidiary companies of CMEPL considered for Consolidated Approach:

Name of company	Type	Percentage of holding by CMEPL as on March 31, 2022
Alby's Agro Private Limited	Subsidiary	99.67%

Applicable criteria

[Policy on default recognition](#)

[Consolidation](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

About the company

Corlim Marine Exports Private Limited (CMEPL) incorporated in the year 1993 is promoted Mr. Rajinder Singh Jari, the Managing Director who has been in the marine products business for more than three decades having an experience in the sea food processing industry as well as in fishing trawler management. CMEPL is engaged in processing, packaging and export of varieties of sea foods like Vannamei shrimps and other varieties of marine products. During FY10, the directors and associates of CMEPL have formed a new company to produce Quality Products in the field of Marine Exports under the name, Alby's Agro Private Limited (AAPL) and is in the business of exporting processed sea food. It commenced its operations in 2017 with a state of Art Prawn & Fish Processing plant, located at Sanguem, Goa. CMEPL holds 99.69% of the shares of AAPL.

Brief Financials - Consolidated (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	184.73	215.35	Not Available
PBILDT	13.82	16.43	
PAT	3.78	5.35	
Overall gearing (times)	11.31	4.69	
Interest coverage (times)	2.94	3.18	

A: Audited, UA: Unaudited

Brief Financials – Standalone (CMEPL) (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	80.97	90.09	68.03
PBILDT	3.77	3.84	3.03
PAT	0.72	0.81	1.27
Overall gearing (times)	2.26	2.41	-
Interest coverage (times)	2.42	1.97	-

A: Audited, UA: Unaudited

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

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

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

Complexity level of various instruments rated for this company: Annexure-4

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - ST-EPC/PSC	-	-	-	-	34.00	CARE A4
Fund-based - ST-FBN / FBP	-	-	-	-	10.00	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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - ST-EPC/PSC	ST	34.00	CARE A4	1)CARE A4; ISSUER NOT COOPERATING* (07-Jul-22)	1)CARE A4; ISSUER NOT COOPERATING* (19-May-21)	-	1)CARE A4; ISSUER NOT COOPERATING* (30-Mar-20)
2	Fund-based - ST-FBN / FBP	ST	10.00	CARE A4	1)CARE A4; ISSUER NOT COOPERATING* (07-Jul-22)	1)CARE A4; ISSUER NOT COOPERATING* (19-May-21)	-	1)CARE A4; ISSUER NOT COOPERATING* (30-Mar-20)

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - ST-EPC/PSC	Simple
2	Fund-based - ST-FBN / FBP	Simple

Annexure-5: Bank lender details for this company

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

Note on 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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About us:

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