

Annam Marine Exports Private Limited

May 14, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	30.00	CARE BB-; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Annam Marine Exports Private Limited are tempered by project stage entity with inherent risk of project implementation and stabilisation, leveraged capital structure, susceptibility of raw material prices to volatility, presence in a highly competitive industry with exposure to domestic and international regulatory laws, and inherent risk associated with the seafood sector. The ratings, however, derive comfort from experienced and resourceful promoters, geographical advantage due to presence in aquacultural zone, achievement of financial closure, and stable industry outlook.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability of the company to generate revenue and profits as envisaged post commencement of commercial operations.
- Achieving adequate accruals to comfortably meet its debt obligation.

Negative factors

- Any significant time or cost over-run in the project completion or execution.
- Generation of lower than envisaged accruals, resulting in stretch in company's liquidity position.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that entity will benefit from its experienced and qualified promoters.

Detailed description of the key rating drivers:

Key weaknesses

Inherent implementation risks associated with the planned greenfield project

The company has undertaken a project to set up a facility for processing of Seafood, initial under the scheme of Operation Green – Pradhan Mantri Kisan Sampada Yojana, with an estimated project cost of Rs. 54.28 crore. The funding for the project includes a debt of Rs. 30 crore, promoter's contribution of Rs. 14.28 crore, and a grant of Rs. 10 crore from Ministry of Food Processing Industries (MoFPI). As of March 2024, Rs. 37.11 crore had already been incurred, with Rs. 23.5 crore (63%) disbursed from the sanctioned term loan, and Rs. 13.6 crore (37%) from the promoters' contribution. The grant by MoFPI is expected by May 2024, however, delay in the same can affect the cost structure of the project. The company aims to complete the project by September 2024. However, timely infusion of remaining funds and completing the project on schedule remains critical from credit perspective.

Competitive Industry with susceptibility to volatility in raw material prices

The shrimp processing and export industry is characterized by high fragmentation, with numerous small players operating within it. The industry's dependence on shrimp farms for raw material limits the bargaining power of individual companies. Furthermore, the procurement price of shrimp is subject to fluctuations based on catch and availability during specific periods, exposing companies to volatility in product prices. Also, the company is susceptible to various socio-political events such as changes in antidumping duties, inflation, and foreign exchange fluctuations, all of which can directly influence its future performance.

Inherent industry risk

The shrimp industry faces significant threats, primarily from disease outbreaks and the unpredictable nature of climatic conditions. As shrimp farming is an agricultural commodity, production and raw material prices are prone to fluctuations, influenced by the vagaries of nature. This volatility can impact profitability margins due to the unstable nature of raw materials. Moreover, shrimp farming is susceptible to various lethal viral and bacterial diseases, further complicating the industry's challenges.

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

Exposure to regulatory risks

Government policies, which can vary based on macroeconomic factors like anti-dumping duties and inflation, also contribute to increased expenses for seafood companies. Additionally, obtaining approvals from regulatory authorities for exports to key markets such as China and the USA is a time-consuming process, adding further complexities to operations in the industry.

Key strengths

Experienced and resourceful promoters

Annam Marine Exports Private Limited is promoted by Mr. K. Jacob Babu and five other directors: Mr. Y. Prasad, Mr. M. Chemanth Babu, Mr. K. Alex Babu, Mr. D. Ramesh Babu, and Mr. D. Narendra Babu. All of these promoters have a rich background in shrimp farming, trading, processing, marketing, and exports, with experience spanning more than a decade. The lead promoter, Mr. Jacob Babu, has been actively involved in the Shrimp and Marine Product Business for over a decade. He holds directorship and shares in M/s Baby Marine Exports Pvt. Ltd., which reported a turnover of over Rs. 90 crore during FY23. It's noteworthy that under the guidelines of Operation Green, promoters are required to possess more than 10 years of experience in shrimp processing and exports, a qualification that Annam Marine Exports met.

Geographical advantage due to presence in aquacultural zone

As per the guidelines of Operation Green dated June 8, 2022, the eligible clusters in Andhra Pradesh are East Godavari, West Godavari, and Krishna. The project thus benefits from the sufficient availability of eligible crops within the cluster and adjoining districts to the project location. The site is just 250 metres from NH-216 and is about 75 kms from Vijayawada Airport. This results in better quality product as well as lower transportation costs.

Intermediate stage of completion

As of March 2024, the project is progressing as per the timelines. Site development, civil construction and machinery order placement stages are completed. Delivery and installation of the machinery, and the appointment of the staff are ongoing. In the upcoming months, delivery at the site, processes of approvals from regulatory authorities, and trial runs are expected to commence, following the stipulated completion of the project in September 2024.

Stable industry outlook

India achieved an all-time high export of seafood both, in terms of volume and value (both US Dollar and India Rupee) by shipping 1,735,286 MT of seafood worth ₹63,969.14 crore (US\$ 8.09 billion) during FY 2022-23, despite the several challenges in its major export markets like the US. During FY2022-23, exports improved in quantity terms by 26.73%, in Rupee terms by 11.08%, in US Dollar terms by 4.31%. Frozen shrimps remained the major export item in terms of both, quantity, and value, while the US and China turned out to be the major importers of India's seafood. The marine product exports from India is targeted to reach US\$ 14 billion by 2025. Marine Products Exports Development Authority (MPEDA) has already submitted a roadmap to achieve this goal, which includes inter alia, the interventions required in the production, value addition, and market promotion of seafood.

Liquidity: Stretched

The project is anticipated to be achieve commercial operations from September 2024. The liquidity position is contingent upon timely completion of the project, revenue stabilization, ability to generate envisaged accruals and infusion of need based funds by the promoters in a timely manner. Repayment of the term loan would commence from November 2024, with 84 monthly instalments.

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](#)

[Financial Ratios – Non financial Sector](#)

[Project stage 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

Annam Marine Exports Private Limited, established in 2022, is a seafood processing company initiated under the Scheme for Operation Green – Long-term investments under Pradhan Mantri Kisan Sampada Yojana, in response to the expression of interest issued by the Ministry of Food Processing Industries (MoFPI). Mr. Jacob Kalluvila Babu, the lead promoter, brings over a decade of experience in the Shrimp and Marine Products Business. Other promoters also come with extensive experience in shrimp farming, trading, processing, marketing, and exports, each with more than 10 years of involvement in the industry. The proposed plant location for this entity is in Karlapalem Mandal of Andhra Pradesh, covering 3.37 acres, strategically positioned within well-connected clusters for shrimp processing.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (E)
Total operating income	0.00	0.00	0.00
PBILDT	0.00	0.00	0.00
PAT	0.00	0.00	0.00
Overall gearing (times)	13.68	0.05	1.72
Interest coverage (times)	0.00	0.00	0.00

A: Audited E: Estimate; 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	-	-	-	Feb 2030	30.00	CARE BB-; Stable

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	30.00	CARE BB-; Stable				

LT: Long 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

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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About us:

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