

## Jayalakshmi Sea Foods Private Limited

June 27, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	28.73	CARE BBB; Stable	Assigned
Long Term / Short Term Bank Facilities	218.00 (Enhanced from 15.00)	CARE BBB; Stable / CARE A3+	Reaffirmed
Short Term Bank Facilities	20.00	CARE A3+	Assigned

Details of instruments/facilities in Annexure-1

### Rationale and key rating drivers

The reaffirmation in the ratings assigned to the bank facilities of Jayalakshmi Sea Foods Private Limited (Jaya) continues to derive strength from experienced promoters with long established market relationship with customers and suppliers, favourable location of the plant with accredited manufacturing facilities, comfortable financial risk profile with overall gearing at 1.32x and interest coverage ratio of above 3x during FY24. The company witnessed a 12% y-o-y decline in its operating revenue during FY24(prov.) primarily due to decline in realisation and subdued demand from the USA market for Indian shrimps due to intense competition from Ecuador, the operating profitability however improved to 8% from 6% in FY23 due to higher proportionate revenue from value added products. Furthermore, the company has successfully completed its capex at Movva unit (unit- III) and received necessary approvals for exports. The revenue of the company is expected to improve in coming fiscal backed by additional sales volume from the Movva unit.

The rating strengths are, however, partially offset by working capital-intensive business, geographical concentration risk with around 90% of exports to the USA market, presence in a highly competitive and regulated industry along with inherent risk associated with the aqua culture industry.

### Rating sensitivities: Factors likely to lead to rating actions.

#### Positive Factors

- Improvement in overall gearing to below 1.0x and TD/GCA below 3x, going forward.
- PBILDT margin improving to more than 8% on a sustained basis while consistent growth in TOI.

#### Negative Factors

- Overall gearing deteriorating beyond 2.50x, going forward.
- Sharp decline in TOI by more than 30% y-o-y or decline in the PBILDT margins below 5%.

### Analytical approach: Standalone

#### Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that Jaya will register a steady growth in its revenue and profits while maintaining a satisfactory financial risk profile.

### Detailed description of the key rating drivers:

#### Key Strengths

#### Improved profit margins albeit marginal decline in total operating income (TOI) in FY24 (Provisional)

Jaya's TOI has marginally moderated in FY24 and stood at Rs 449 crore in FY24 vis-à-vis Rs 511 crore in FY23 on account of lower sales volume and decrease in sales realization in FY24. The decline in sales volume was on account of subdued demand from the key market USA, which is the major revenue contributor. Further, lower sales realization was on account of tapering global shrimp prices.

<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

However, the PBILDT margin improved and stood satisfactory at 8.44% in FY24 as against 6% in FY23 due to increase in supply of value added products. Furthermore, the PAT margin improved to 3.71% in FY24 against 3.65% in FY23, despite higher interest expense at the back of higher WC utilization and elevation in domestic benchmark rates.

#### **Improved and satisfactory capital structure with moderate debt coverage indicators**

Despite an increase in the debt levels, the overall capital structure of the company improved and stood satisfactory marked by overall gearing at 1.32x as on March 2024 compared to 1.37x March 2023. The improvement in the overall gearing is supported by increase in networth due to increase in equity by Rs 5 crore, balance subsidy received from Ministry of Food Processing Industries (MOFPI) and accumulation of profits as on March 31, 2024. The networth of the company stood satisfactory at Rs 141 crore as on Mar 31, 2023. The overall gearing is expected to improve in FY25 on account of scheduled repayment of term loan coupled with further strengthening of net worth base.

The debt coverage indicators have deteriorated yet remained moderate, marked by PBILDT interest coverage ratio (ICR) and total debt (TD) to gross cash accruals (GCA) at 3.89 and 7.60x in FY24 as against 5.70x and 7.55x respectively in FY23. The debt service coverage ratio (DSCR) however remains comfortable given adequate cash accruals as against the debt obligations.

#### **Experienced promoters with established track record and having favorable location**

The Company is promoted by Mr. K. Lakshmi Karthik, Mr. K. Ramesh Babu, Mr. Srinivas Rao, and Mr J. Mahinath having close to three decades of experience in the sea food industry. Furthermore, the promoters are well supported by a team of experienced personnel down the line. Jaya has a long-proven track record of over 20 years in the seafood export business, the company primarily exports to the US market and with long established association with clients, it is able to bag repeat business.

The processing plant of the company is located at Bhimavarum West Godavari and Movva in Andhra Pradesh (AP), one of the prime aquaculture zones in Andhra Pradesh, enables the company to procure raw materials and process them immediately after harvest. The company has its owned and leased fleet of trucks and refrigerated vehicles to transport the raw material from various farms to their own manufacturing unit resulting in better quality product as well as lower transportation costs for the company. Furthermore, the processing units are in close proximity to the Kakinada and Visakhapatnam seaport, but majority of the export orders are shipped from Visakhapatnam due to ample containers availability.

#### **Government support to the sector**

Being an export-oriented entity Jaya is eligible for financial incentives such as 'Duty Drawback', Remission of Duties or Taxes on Export Product (RoDTEP), interest subvention etc. Government has been extending financial support to this sector over the years which helps the seafood exporters to maintain good profitability margins. GOI also provides subsidies for capital expenditure incurred by for setting up or augmenting capacities at seafood processing units.

#### **Liquidity: Adequate**

The liquidity is characterised by sufficient cash accruals of ₹28.10 crore projected for FY25 vis-à-vis a repayment obligation of ₹8 crore. The company had free cash and bank balance of Rs 18 crore in as on March 2024 in the form of term deposit with banks. Given working capital intensive business, the utilisation of fund based lines remained moderately high at ~75% during 12 months ended April 2024. The company has recently received an enhancement in its EPC limit for the unit-III, which provides cushion to liquidity.

#### **Key weaknesses**

##### **Geographical concentration risk**

Jaya exports primarily to the USA which contributes around 80-90% of its export revenue. This exposes the company to geographical concentration risk and any adverse policy changes by USA like import norms, trade policies, Anti-dumping duty etc may significantly impact the company's business. Nevertheless, Jaya has been trying to venture into different geographies to increase its sales as well as and reduce dependency on one single geography.

##### **Presence in a highly competitive industry**

The seafood industry is exposed to intense competition, as there are several small and few large players. Indian exporters have also been facing competition from countries like Ecuador which have logistical advantage given its proximity to USA. Furthermore, seafood export segment is marked by stringent regulations and quality requirements. Many of the export destinations such as the US, Japan and European countries implement timely regulations (including anti-dumping duty, food safety regulations, and quality requirements) that need to be complied with.

### Disease-prone industry with dependence on climatic conditions

Shrimp farming being an agro commodity is exposed to climatic conditions. The production and raw material prices tend to fluctuate and may depend on the vagaries of nature. Furthermore, shrimp farming is disease-prone, as there are a variety of lethal viral and bacterial diseases that affect shrimps. However, after repeated tests, the Vannamei variety of shrimps have been observed to be more resistant than the Black Tiger variety to various diseases.

### Assumptions/Covenants: NA

### Environment, social, and governance (ESG) risks: Nil

### Applicable Criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[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

Andhra Pradesh based, Jayalakshmi Sea Foods Private Limited (Jaya) incorporated in the year 1995 by Mr. K. Ramesh Babu and Mr. Srinivasa Rao and was later joined by other family members and friends. Jaya initially started as a merchant exporter of shrimps, and later started its own processing unit in 2001, and primarily exports Vannamei shrimps. The company has set up three processing unit in Andhra Pradesh. The company has 3 processing units located at Bhimavaram (unit 1&2) and Movva (unit 3), with a combined capacity of 112 TPD (includes block freezing and Individual Quick Freezing-IQF).

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	2MFY25 (UA)
Total operating income	510.92	448.72	73.00
PBILDT	30.67	37.89	NA
PAT	18.66	16.64	NA
Overall gearing (times)	1.37	1.32	NA
Interest coverage (times)	5.70	3.89	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 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		-	-	31/12/2027	28.73	CARE BBB; Stable
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	218.00	CARE BBB; Stable / CARE A3+
Non-fund-based - ST-BG/LC		-	-	-	12.00	CARE A3+
Non-fund-based - ST-Credit Exposure Limit		-	-	-	8.00	CARE A3+

**Annexure-2: Rating History of 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	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST <sup>^</sup>	218.00	CARE BBB; Stable / CARE A3+	-	1)CARE BBB; Stable / CARE A3+ (21-Dec-23)	-	-
2	Fund-based - LT-Term Loan	LT	28.73	CARE BBB; Stable				
3	Non-fund-based - ST-BG/LC	ST	12.00	CARE A3+				
4	Non-fund-based - ST-Credit Exposure Limit	ST	8.00	CARE A3+				

<sup>^</sup>Long term/Short term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA**

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

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple
3	Non-fund-based - ST-BG/LC	Simple
4	Non-fund-based - ST-Credit Exposure Limit	Simple

**Annexure-5: Lender details**

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

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. 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.

### Contact us

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### About us:

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### Disclaimer:

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