

Gayatri Marine Products

September 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	18.00	CARE BB-; Stable	Assigned
Long-term / Short-term bank facilities	32.00	CARE BB-; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of Gayatri Marine Products (GMP) is constrained by small scale of operations, thin profitability margins with exposure to raw material price volatility and foreign currency fluctuations, and presence in highly competitive seafood industry with inherent risk of exposure to water borne diseases. The ratings, however, derive strength from the vast experience of the promoters, locational advantage of the recently installed processing plant with presence in aquaculture zone and accredited processing facilities and moderately leveraged capital structure.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained scaling up of operations above Rs. 80 crores from the recent capex with PBILDT margins in the range of 4-5%.
- Improvement in Total debt/PBILDT below 8x.

Negative factors

- Any delay in operationalisation of new project resulting in the revenue below Rs. 60 crores.
- Elongation of working capital cycle impacting liquidity position.

Analytical approach: Combined

For arriving at the ratings, CARE Ratings has taken a combined view of GMP and Gayatri Aqua Products Private Limited (GAAPL), hereinafter referred to as "Gayatri Group". Both the entities are in similar lines of business, have common promoters, and share business synergies. GAAPL has also provided corporate guarantee to the bank facilities of GMP.

Outlook: Stable

The stable outlook reflects that the firm is likely to sustain its financial and operational performance in the medium term, on the back of the stable demand from export market.

Detailed description of key rating drivers:

Key weaknesses

Small scale of operations

The total operating income (TOI) of the group remained stable in the range of Rs.70-80 crore in the past three years. TOI of the company stood at Rs. 38.06 crore in 4MFY25 (From April 2024 till July 2024). Group started processing and export of shrimps from FY23 resulting in improved PBILDT margins from 1.88% in FY22 to around 4% in the past two years due to better realisations from export business. The increase in export sales volumes to scale up the revenue resulting in higher cash accruals shall be a key rating monitorable in the medium term.

Exposure to volatile raw material prices and foreign currency fluctuations

The PBILDT margin of the group remains volatile because of the volatility in the end product prices which are exposed to international market demand supply dynamics. The group has to depend on shrimp farmers as such have little control over the procurement price. The price demanded by the shrimp farmers varies depending on the availability and demand. This often leads to volatile procurement price and hence the profitability margins of the group is affected. Further, since the group is mostly dependent on exports, it is inherently exposed to foreign currency fluctuations. The group has a policy of hedging case to case basis.

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

Highly fragmented industry with intense competition in export market

The seafood industry is exposed to intense competition as there are several small and large players. The players also face intense competition from south-east Asian exporters impacting the realizations. The players are not able to always pass on the price rise in entirety to the customers due to heavy competition from peer players. This puts pressure on the margins of the group tendering them low. Further, there are varieties of lethal viral and bacterial diseases that may affect shrimp.

Partnership nature of Constitution with inherent risk of withdrawal of capital

Constitution as a partnership has the inherent risk of possibility of withdrawal of the capital at the time of personal contingency which can adversely affect its capital structure. Furthermore, partnership firms have restricted access to external borrowings as credit worthiness of the partners would be key factors affecting credit decision for the lenders.

Key strengths**Experienced Promoters with long track record of operations in seafood Industry**

The promoters of Gayatri Group have over two decades of experience in the seafood business. The Managing Partner, Nagarajan T.K., has over two decades of experience in the domain of aquaculture, seafood processing and export business. He is supported in managing the day-to-day operations by his son Yeshwanth. Being in the same line of business since long period, the partner has built up established relationship with its customers and suppliers and the firm is deriving benefits out of this.

Completion of capex project and envisaged growth in scale of operations in FY25

The company completed its ongoing capex project to install shrimp processing facility and the same is expected to be commissioned from November 2024. The completion of the project has resulted in increase in the shrimp processing capacity to 10800 metric tons per annum from 1800 metric tons per annum previously. The project has been installed in the land owned by the company in Chinthavaram, Andhra Pradesh and the factory has been equipped with freezing plant, cold storage as part of its infrastructure and production facilities. The project is expected to benefit the company in terms of saving in rent costs incurred for the current processing facilities under lease in Chennai and savings in terms of logistics cost due to close proximity to aquaculture zone and ports ensuring timely availability of raw materials. The project is expected to aid the company in scaling up of its operations in FY25.

Moderate Financial risk profile

The capital structure of the group stood moderately leveraged marked by overall gearing of 1.52x as on March 31, 2024 (PY: 1.23x). The debt profile consists of working capital limit and capex loans availed for the newly installed processing facilities. Interest coverage stood satisfactory at 2.31x as on March 31, 2024, and the Debt coverage indicators marked by Total Debt/PBILDT stood at 10.18 times as on March 31, 2024.

Locational advantages of the company's plant with presence in aquaculture zone

The new plant is located at Chinthavaram having close proximity to West and East Godavari regions which are recognized as a major source for cultured Vannamei in India. The plant is well connected to major cities like Hyderabad, Vijayawada and ports in cities like Chennai and Krishnapatnam both by road as well as rail network. This facilitates transportation of the finished goods through containers/trucks to Chennai port and to bring raw material to the plant in insulated vehicles from the farms from various parts of the state. The Presence of the plant in a region which has proximity to raw material location enables the company to procure its raw materials and process them immediately after the harvest season.

Established relationship with its diverse customer and supplier base

Gayatri Group has a diversified customer base with exposure to foreign markets in non-European countries like Japan, China, Vietnam etc. The exports accounted to contributed to around 80% of the total sales in FY24. The customer base remained diversified with top 10 customers account to 55-60% of the total sales in FY24. The supplier base of Gayatri Group also stood moderately diverse with Top 10 suppliers contributing to 54% of the total purchases in FY24 vis-à-vis 75% of the total purchases in FY23.

Liquidity: Stretched

Liquidity is stretched marked by tightly matched accruals to repayment obligations, high utilized bank limits and low cash balance of Rs. 0.74 crore as on March 31, 2024. The overall operating cycle stood elongated in FY24 at around 61 days (PY:45 days) marked by increase in inventory days which stood at 47 days (PY: 32 days). The current ratio of the group was at 1.19x as on March 31, 2024. The company's fund-based utilization remained moderately high with average utilization at 96% for past 12 months ended August 2024.

Applicable criteria

[Consolidation](#)
[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

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Seafood

GMP was incorporated in 2016 and is engaged in trading of raw shrimps, primarily Vannamei Shrimps. The firm's day-to-day operations are managed by Mr. Nagarajan T.K., Managing partner and is supported by his son Mr. Yeshwanth.

'Gayatri Aqua Products Private Limited' (GAPPL) was incorporated in 2018 and started operations from FY22 as a processing and export arm of the group. Group primarily exports to Japan, Vietnam and China. Group markets its products under the brand name "GMP Pride".

Brief Combined Financials – Gayatri Group (₹ crore)	March 31, 2022 (UA)	March 31, 2023 (UA)	March 31, 2024 (UA)
Total operating income	73.42	79.69	71.76
PBILDT	1.38	3.36	2.85
PAT	0.67	1.60	1.02
Overall gearing (times)	1.52	1.23	1.52
Interest coverage (times)	3.71	3.63	2.31

UA: Unaudited; Note: these are latest available financial results

Brief Standalone Financials – GMP (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (P)
Total operating income	75.74	76.33	60.89
PBILDT	1.21	1.47	1.29
PAT	0.57	0.61	0.47
Overall gearing (times)	1.72	0.81	1.37
Interest coverage (times)	3.74	3.27	2.51

A: Audited, P: Provisional; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Term loan		-	-	01-09-2031	18.00	CARE BB-; Stable
Fund-based - LT/ST-Working capital limits		-	-	-	30.50	CARE BB-; Stable / CARE A4
Non-fund-based - LT/ ST-Bank guarantee		-	-	-	1.50	CARE BB-; Stable / CARE A4

Annexure-2: Rating history for 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/ST-Working capital limits	LT/ST	30.50	CARE BB-; Stable / CARE A4				
2	Fund-based - LT-Term loan	LT	18.00	CARE BB-; Stable				
3	Non-fund-based - LT/ ST-Bank guarantee	LT/ST	1.50	CARE BB-; Stable / CARE A4				

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

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term loan	Simple
2	Fund-based - LT/ ST-Working capital limits	Simple
3	Non-fund-based - LT/ ST-Bank guarantee	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 91 22 6754 3444 E-mail: Ankur.sachdeva@careedge.in	Analytical Contacts Sandeep P Director CARE Ratings Limited Phone: 914428501002 E-mail: sandeep.prem@careedge.in Jitendra Singh Assistant Director CARE Ratings Limited Phone: 914224502306 E-mail: Jitendra.singh@careedge.in Aabild William Analyst CARE Ratings Limited E-mail: Aabild.William@careedge.in
--	---

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For the detailed Rationale Report and subscription information,
please visit www.careedge.in**