

SKML Exim Private Limited

December 30, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	40.00	CARE BB; Stable	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of SKML Exim Private Limited (SEPL) is constrained by small scale of operations with low net worth base, moderate profit margin due to low value addition nature of activity, leveraged capital structure, and elongated operating cycle due to higher inventory turnover days. The rating also considers the presence in highly competitive seafood industry with inherent risk of exposure to water borne diseases. However, the ratings, derives strength from experienced and resourceful promoters, consistent growth in total operating income (TOI) over the last 4 years ended FY24, favourable location, and stable industry outlook.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant increase in the scale of operation with PBILDT margin sustaining above 5%
- Improvement in working capital cycle to below 75 days.

Negative factors

- Decline in total operating income (TOI) by more than 40% y-o-y.
- Any deterioration in the overall gearing levels above 2.5x.
- Increase in working capital cycle to 130 days, impacting its liquidity.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believed that SEPL will continue to benefit from promoter's experience, and its locational advantage.

Detailed description of key rating drivers:

Key weaknesses

Leveraged capital structure with limited net worth base and weak debt coverage indicators: The capital structure remains leveraged, with an overall gearing of 1.62x as of March 31, 2024, compared to 2.33x as of March 31, 2023, indicating a high reliance on external debt. Debt coverage indicators remained strained, as marked by total debt to GCA at 13.21x in FY24 as against 14.94x, due to high debt levels (majorly working capital debt). The PBILDT interest coverage stands satisfactory at 2.44x in FY24, down from 3.17x in FY23, due to higher interest expenses. Despite the increase in debt levels, the capital structure of the company improved on account of increase in tangible net worth (TNW) base to Rs 19.25 crore (TNW includes subordinated USL from promoter and related parties that has been considered as quasi equity) as on March 31, 2024, yet remained low.

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

Working capital intensive nature of operations: The entity's operations are highly working capital intensive. The company is heavily reliant on bank borrowings with average utilization for the past 12 months ended Sept 2024 at ~85%. The operating cycle of the company elongated from 76 days in FY23 to 99 days in FY24, on account of higher inventory period at 103 days in FY24 as compared to 91 days in FY23. Further the average creditors period reduced to 27 days in FY24 as compared to 47 days in FY23, which is partially offset by decrease in average collection period to 23 days in FY24 as compared to 32 days in FY23.

High degree of competition and fragmented nature of industry: SEPL encounters strong competition from both local and international players. In India, the shrimp processing and export industry has seen a surge in investment over the past decade, driven by government initiatives to boost seafood exports and increased incentives. On the global stage, countries like Vietnam, Indonesia, and Ecuador have ramped up their production, posing significant competition to Indian exporters.

Disease-prone industry with dependence on climatic conditions: Shrimp farming is highly disease prone as there are a variety of lethal viral and bacterial diseases that affect shrimp. A major transfer vector of many of these viruses is the water itself; and thus, any virus outbreak also carries the danger of decimating shrimp living in the wild, potentially impacting the operations of firm related to shrimp business.

Key strengths

Satisfactory total operating income (TOI) with moderate albeit improved PBILDT margin: The company's Total Operating Income (TOI) has demonstrated a Compound Annual Growth Rate (CAGR) of 84.62% from FY21 to FY24, increasing from Rs. 20.19 crore in FY21 to Rs 127.03 crore in FY24. The growth was mainly driven by the increase in the overall business operations in terms of sales volume on account of growing demand for processed shrimps in the export market (mainly China). The PBILDT margin has been improving for the last four years ended FY24 and stands moderate at 3.77% in FY24 compared to 3.14% in FY23, majorly due to economies of scale. The company does less value addition in processing of shrimp therefore the margins are moderate.

Experienced promoters with strong industry track record: SEPL is promoted by Mr. Sateesh Mandapati and Mrs. Atchuta Karuna Mandapati, having extensive industry experience and strong association in the industry. Mr. Sateesh Mandapati, is the current managing Director, having 8 years of experience in the industry. Further, the overall business of the entity is being headed by Mr. Ramarao, chief executive officer (CEO), who is a BTech graduate with 30 years of experience in the seafood industry. The promoters are resourceful and have been regularly infusing funds to support the working capital as well as capex requirements of the business.

Geographical advantage due to presence in the aquaculture zone in Andhra Pradesh SEPL is strategically situated in East Godavari, allowing the company to promptly source raw materials and process them. They procure these materials from key coastal regions of Andhra Pradesh. Andhra Pradesh has emerged as a key driver in India's record seafood exports of USD 7.38 billion (Rs 60,523 crore) in the financial year 2023-24. The state contributed around 32 per cent of the total shipments, solidifying its position as a leader in the marine products sector. Additionally, Visakhapatnam port for exporting its products with greater availability of shipping lines is readily available.

Government support to the sector: Being an export-oriented, the group 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 position remained adequate marked by adequate projected accrual of Rs 2.79 crore against a debt repayment of Rs. ~0.31 crore in FY25. Liquidity is also supported by satisfactory current ratio of 1.32x as of March 2024. Average utilization of working capital limit remained a bit high at ~85% during past twelve months ended September 2024 given working capital-intensive nature of business. The unsecured loan (USL) by the promoters and related parties of Rs 9.94 crore is subordinated to bank debt and is considered as quasi equity in our Tangible Net Worth (TNW) calculation.

Assumptions/Covenants: Not Applicable

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](#)

About the company and industry

Industry classification

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

SKML Exim Private Limited (SEPL) was incorporated in the year 2020. The company is promoted Mr. Sateesh Mandapati, who is managing director of the company and Atchuta Karuna Mandapati, who is director of the company. The company involves in pre-processing of raw shrimps (mainly vannamei) which involves activities like washing, deheading, grading and block freezing. The company have a processing plant located at Tallarevu in Andhra Pradesh, with an installed capacity of 30 TPD and also processes shrimp at an outsourced processing unit, which has a storage capacity of up to 40 MT/day on a job work basis. The unit started its commercial operations in FY21. The company deals only in headless shrimps with tail and caters to clients in China (majorly re-processors), Vietnam, middle east, Malaysia, Singapore, and other Asian countries.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	108.06	127.03	46.91
PBILDT	3.39	4.79	2.99
PAT	1.31	1.33	0.73
Overall gearing (times)	2.33	1.62	NA
Interest coverage (times)	3.17	2.44	1.86

A: Audited UA: Unaudited; Note: These are latest available financial results, NA: Not available

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-Cash Credit		-	-	-	10.00	CARE BB; Stable
Fund-bases-LT-EPC/PCFC		-	-	-	30.00	CARE BB; Stable

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-Cash Credit	LT/ST	-	-	1)CRISIL B+ /A4; Stable ISSUER NOT COOPERATING* (29-May-24) 2)Withdrawn (29-May-24)	1)CRISIL B+ /A4; Stable (29-Sept-23)	1)CRISIL A4+; Stable (30-Aug-22)	-
2	Fund-based - LT-Cash Credit	LT	10.00	CARE BB; Stable	-	-	-	-
3	Fund-based - LT-EPC/PCFC	LT	30.00	CARE BB; Stable	-	-	-	-

*Issuer did not cooperate; based on best available information.

LT: Long 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-Cash Credit	Simple
2	Fund-based - LT-EPC/PCFC	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

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About us:

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