

Anjaneya Sea Foods

January 24, 2025

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|---------------------------|-------------------------------|---------------------|---------------|
| Long Term Bank Facilities | 34.76 (Reduced from 35.00) | CARE B+; Stable | Reaffirmed |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Anjaneya Sea Foods (ASF) are constrained by small scale of operations with moderate profitability, leveraged capital structure as well as weak debt coverage indicators, working capital intensive nature of operation and stretched liquidity during FY24(Audited, FY refers to period April 01 to March 31). The ratings also continue to remain constrained due to constitution of the entity as a partnership firm with inherent risk of withdrawal of capital, volatility in the availability of raw material along with disease prone nature of seafood with dependence on climatic condition, exposure to foreign exchange fluctuation risk and presence in competitive and regulated industry.

However, the ratings derive comfort from vast experience of the promoters in the sea food business along with liquidity support by the partners as and when required by way of infusing capital, favourable location of unit with presence in the aquaculture region in Andhra Pradesh, along with Government support to Aquaculture industry.

Rating sensitivities:

Positive factors

- Improvement in total operating income of more than Rs.100 crore on sustained basis along with maintaining PBILDT margin of 5% or above.
- Improvement in operating cycle to less than 90 days.

Negative factors

- Decline in profitability by more than 30% y-o-y.
- Any cash flow mismatch from operations putting stress on liquidity.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited believes that Anjaneya Seafoods (ASF) will continue to benefit from the extensive experience of the partners in the industry.

Detailed description of the key rating drivers

Key weaknesses

Small scale of operations and moderate profitability

The scale of operations marked by total operating income (TOI) of ASF witnessed decline in FY24 by 18.07% from Rs. 59.77 crore in FY23 to 48.97 crore in FY24 on account of muted sales realization. During FY24, The average sales realization decreased by 14.80% on Y-O-Y basis in line with fluctuation in shrimp prices in international market. Further, tangible network of ASF also stood modest at Rs.10.02 crore as on March 31, 2024. During H1FY25(Provisional) ASF has generated total revenue of Rs.54.88 crore and the scale of operation is expected to grow albeit remain modest in short to medium term with expectation of rise in demand of shrimp in international market. However, competition in the industry will continue to restrict future growth prospects.

ASF's profitability showed marginal improvement on back of decrease in cost of raw material during the year but remained moderate with PBILDT margin improved from 5.74% in FY23 to 7.57% in FY24. During FY24 average purchase price decreased by 10% over previous year. Further, ASF's PAT margin remained low and in line with the previous year at 0.84% in FY24 compared to 0.76% in FY23 as a result of sizeable interest cost.

Leveraged capital structure and weak debt coverage indicators

The capital structure of ASF marked by overall gearing ratio although improved but stood leveraged. The overall gearing ratio slightly improved on account of increase in capital base due to profit accretion as well as capital infusion by partners and gradual repayment of term debt but remained leveraged at 2.55x as on March 31, 2024 compared to 3.30x as on March 31,

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

2023. Further, as a result of low profitability in absolute terms along with leveraged gearing position, The debt coverage indicators deteriorated marginally and continued to remain weak as marked by high Total debt/GCA and modest interest coverage ratio in FY24. The PBILD/interest was modest to 1.51x in FY23 (P.Y.1.83x) and TD/GCA stood high at 23.13 years as on March 31, 2024 (PY:20.58 years).

Working capital intensive nature of operations

The operation of ASF is working capital intensive marked by elongated operating cycle, high utilisation of its working capital limits and high ratio of working capital to total capital employed. The operating cycle elongated to 247 days in FY24 from 194 days in FY23 mainly due to blockage of funds in inventory and receivables leading to firm's dependence on working capital borrowings, which remained high with average utilization of more than 90% for last 12 months ended September 30, 2024. Further, net working capital as a percentage of capital employed ratio was also high at 88% as on March 31, 2024.

Constitution of entity as a partnership firm with inherent risk of withdrawal of capital

ASF, being a partnership firm, is exposed to inherent risk of withdrawal of capital by the partners in case of personal contingencies. Furthermore, partnership firms have restricted access to external borrowing as credit worthiness of partner would be the key factors affecting credit decision for the lenders. However, the partners have introduced capital of around Rs.0.99 crore during FY24 meaning that the partners have been supporting the firm as and when required. Further, during H1FY25 the partners have infused unsecured loans worth Rs. 9.27 crores.

Disease prone industry with dependence on climatic conditions led to volatility in availability of raw material

Shrimp farming is highly susceptible to climatic conditions and diseases, which can drastically affect production and prices. The clustering of shrimps increases the risk of disease spread, potentially wiping out large populations. However, Vannamei shrimps have shown more resistance to diseases compared to Black Tiger shrimps, and there hasn't been a major disease outbreak in the Indian seafood sector for the past decade.

Climate change poses additional risks to ASF's operations, with extreme weather events and seasonal variations impacting shrimp aquaculture. These changes can lead to significant losses, especially in coastal areas, due to floods and cyclones.

Exposure to foreign exchange fluctuation risk

ASF is 100% export-oriented entity and exports to middle east countries. Further, it does not follow any hedging policy and hence, remains exposed to foreign exchange fluctuation risk. Any adverse movement in foreign exchange rate affect profitability of the firm. The firm reported a forex gain of Rs.0.09 crore during FY24 compared to Rs.1.14 crore during FY23.

Presence in highly competitive and regulated industry:

The seafood industry is exposed to intense competition as there are several small and large players. In India, shrimp processing and exports business has been attracting many investors during the past decade since government is encouraging for growth in the sea foods exports and increased incentives. Globally countries like Vietnam, Indonesia, and Ecuador have increased their production and are going to be a major competitor for Indian exporters. The seafood export segment is marked by stringent regulations and quality requirements. Government policies keep varying depending upon other macro-economic factors like Anti-dumping duties and inflation etc., which increase the expenses for companies operating in the seafood industry. 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.

Key Strengths

Experienced promoters in sea food business and liquidity support by partners

Anjaneya Sea Foods (ASF) was established in 2007 as by partnership firm by Mr. D.V. Krishna Rao (Managing Partner), who has vast experience of more than two decades in sea food business. He is assisted by D. Anisha Lakshmi and N. Himabindu who are also partners of ASF. Further, Partners have been continuously supporting the firm as and when required. They have infused capital of Rs.3.89 crore and Rs.0.99 crore in FY23 and FY24 respectively. Further, during H1FY25 the partners have infused unsecured loans worth Rs. 9.27 crores.

Location advantage due to presence in the aquaculture zone in Andhra Pradesh

ASF's processing plant is located in the prime aquaculture zone in Ongole, by the coastline of Andhra Pradesh, which enables the firm to procure raw materials and process them immediately after harvest. This results in better quality product as well as lower transportation cost. ASF procures raw materials from local farmers from all across the country though major procurement is from Andhra Pradesh.

Government support to Aqua industry

The Pradhan Mantri Matsya Sampada Yojana (PMMSY) is a major initiative by the Department of Fisheries to revolutionize India's fisheries sector and aims to sustainably increase fish production and enhance aquaculture productivity by 2024-2025. The scheme focuses on doubling fishers' incomes, generating 55 lakh employment opportunities, and boosting export earnings. PMMSY emphasizes social, physical, and economic security for fishers, building a robust fisheries management framework, and increasing the fisheries sector's contribution to Agricultural GVA. The scheme aims for holistic development, ensuring the welfare of fishers and contributing significantly to the economy.

Liquidity analysis: Stretched

The liquidity position of ASF remained stretched marked by high utilization of its working capital limit, elongated operating cycle, low cash & bank balance and tightly matched cash accruals to meet its debt repayment obligation. Utilization of working capital limits remained high at more than 90% during past 12 months ended September 30, 2024 owing to blockage of funds in inventory and receivables. While unencumbered cash and bank balance was low around Rs.0.05 crore as on March 31, 2024 and Cash-flow from operations although increased over previous year but was modest at Rs.5 crore in FY24. Further, Cash accruals are expected to remain tightly matched to meet its debt repayment obligation of Rs. 1.03 crore for FY25.

Applicable criteria:

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Nonfinancial Sector](#)

About the firm and industry

Industry classification

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

Ongole (Andhra Pradesh) based Anjaneya Sea Foods (ASF) was established in the year 2007 and currently managed by Mr. Krishna Rao, D. Anisha Lakshmi and N. Himabindu. ASF is engaged in the processing and export of Vannamei and a variety of shrimp to Middle east countries. ASF is 100% Export Oriented Unit (EOU). ASF has processing capacity of 80 tons per day and cold storage capacity of 2500 tons per annum as on March 31, 2024.

| Brief Financials (₹ crore) | March 31, 2023 (A) | March 31, 2024 (A) | H1FY25 (Prov.) |
|----------------------------|--------------------|--------------------|----------------|
| Total operating income | 59.77 | 48.97 | 54.88 |
| PBILDT | 3.43 | 3.71 | 4.27 |
| PAT | 0.45 | 0.41 | - |
| Overall gearing (times) | 3.30 | 2.55 | - |
| Interest coverage (times) | 1.83 | 1.51 | 3.75 |

A: Audited; Prov.: 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

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 | | - | - | - | 7.86 | CARE B+; Stable |
| Fund-based - LT-Packing Credit in Indian rupee | | - | - | - | 25.00 | CARE B+; Stable |
| Fund-based - LT-Term Loan | | - | - | May 2027 | 1.90 | CARE B+; 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 | - | - | - | - | - | 1)CARE B+; Stable; ISSUER NOT COOPERATING* (21-Sep-21) 2)Withdrawn (21-Sep-21) |
| 2 | Non-fund-based - ST-ILC/FLC | ST | - | - | - | - | - | 1)Withdrawn (21-Sep-21) 2)CARE A4; ISSUER NOT COOPERATING* (21-Sep-21) |
| 3 | Fund-based - ST-Packing Credit in Indian rupee | ST | - | - | - | - | - | 1)CARE A4; ISSUER NOT COOPERATING* (21-Sep-21) 2)Withdrawn (21-Sep-21) |

| | | | | | | | | |
|---|--|----|-------|-----------------|---|-------------------------------|-------------------------------|-------------------------------|
| 4 | Fund-based - LT-Cash Credit | LT | 7.86 | CARE B+; Stable | - | 1)CARE B+; Stable (03-Jan-24) | 1)CARE B+; Stable (03-Jan-23) | 1)CARE B+; Stable (29-Nov-21) |
| 5 | Fund-based - LT-Packing Credit in Indian rupee | LT | 25.00 | CARE B+; Stable | - | 1)CARE B+; Stable (03-Jan-24) | 1)CARE B+; Stable (03-Jan-23) | 1)CARE B+; Stable (29-Nov-21) |
| 6 | Non-fund-based - ST-ILC/FLC | ST | - | - | - | 1)Withdrawn (03-Jan-24) | 1)CARE A4 (03-Jan-23) | 1)CARE A4 (29-Nov-21) |
| 7 | Fund-based - LT-Term Loan | LT | 1.90 | CARE B+; Stable | - | 1)CARE B+; Stable (03-Jan-24) | 1)CARE B+; Stable (03-Jan-23) | 1)CARE B+; Stable (29-Nov-21) |

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

LT: Long term; ST: 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-Cash Credit | Simple |
| 2 | Fund-based - LT-Packing Credit in Indian rupee | Simple |
| 3 | Fund-based - LT-Term Loan | 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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