Fedora Sea Foods Private Limited

February 25, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	50.00	CARE BBB; Stable	Assigned
Long-term / Short-term bank facilities	110.00	CARE BBB; Stable / CARE A3	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of Fedora Sea Foods Private Limited (FSFPL) derive strength from the experience of its promoters with the company's long track record of operations in the shrimp feed industry, location advantage due to presence in the aquaculture zone in Andhra Pradesh, partially integrated nature of its operations with an established presence and marketing network, and accredited manufacturing facility. Ratings also take cognisance of initiatives taken by the company for diversification of its revenue by venturing in shrimp processing contributing to significant increase in the total operating income (TOI) in FY24 (Audited; FY refers to April 01 to March 31) and 9MFY25 (Unaudited) with comfortable profitability margins, stable industry outlook, and adequate liquidity.

However, ratings remain constrained by moderate capital structure with high reliance on working capital limits, exposure to raw material price volatility, geographical and customer concentration risk, risks inherent to the seafood industry, and working capital intensive operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operation above ₹750 crore while maintaining profit before interest, lease rentals, depreciation, and taxation (PBILDT) margins above 8% on a sustained basis.
- Operating cycle maintained below 90 days on a sustained basis.
- Overall gearing ratio improved to below 0.75x.

Negative factors:

- Any substantial decline in scale of operation below ₹350 crore and deterioration in operating margin reaching 5% on a sustained basis.
- Any un-envisaged debt resulting in deterioration in overall gearing ratio above 1.50x.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that FSFPL is expected to sustain its revenue and profitability margins while improving its financial risk profile with no major debt envisaged in medium term.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with established track record of operations

FSFPL is promoted by well-experienced Narahari Reddy and K. Vijayakumari. The company has an established track record of 14 years of operations. The Chairman/managing director of the company, Narahari Reddy, has over 25 years of experience in the shrimp industry. He has been successfully running the Aqua Farms and Hatchery since 1992 on a modest scale with the support and cooperation of his family. Large sections of the population across almost all the parts of the entire Nellore, Prakasam, East, and West Godavari Districts have been successfully handling and managing operations.

Improved operational and financial performance in last five years ended FY24 and 9MFY25

FSFPL has been operating in shrimp feed segment until FY21, after which, it has diversified into shrimp processing, resulting in a significant increase in scale of operations from ₹192.10 crore in FY20 to ₹451.08 crore in FY24, achieving a compounded annual growth rate (CAGR) of 18.61%. In the last four years, sales volumes in both the feed and processing segments have grown, driven by the rising demand for Indian seafood resulted in increased demand for shrimp feed, geographical expansion, and the addition of premium customers to its shrimp processing portfolio. In line with TOI growth, the company's PBILDT and profit after

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

tax (PAT) levels increased by 101% and 68%, reaching ₹32.79 crore and ₹11.94 crore, respectively, in FY24. PBILDT and PAT margins stood comfortable at ~7.27% and 2.65%, respectively, in FY24.

In 9MFY25, FSFPL reported a TOI of ₹503.70 crore, reflecting an annualised growth of 49%, primarily driven by increased revenue from shrimp processing by adding premium customers to its portfolio from various countries. Inline with TOI, PBILDT and PAT margins stood comfortable at ~₹38.03 crore and ₹15.21 crore, respectively.

Long-standing association with clientele
The promoters being in the aquaculture industry for over two decades have established relationships with dealers operating in the coastal districts of Andhra Pradesh. FSFPL is into manufacturing and supplying shrimp feed in domestic market and majorly in the Andhra Pradesh state. FSFPL has also entered export processed shrimp per customer requirements by diversifying the segment with revenue mix of 61% and 39% of total TOI in FY24.

Partially integrated operations with established presence and marketing network in feed segment
FSFPL initially started its business with a shrimp hatchery and later expanded into shrimp feed manufacturing in 2015. The hatchery division and shrimp feed unit, located in Nellore, have a production capacity of over 100 million seedlings annually and 58,000 MTPA, respectively. Further strengthening its presence in the value chain, FSFPL entered the export market by establishing a shrimp processing unit in July 2021 for processing and exporting shrimp. The processing unit has an annual production capacity of 13,000 tonnes, supporting integrated operations. The shrimp feed segment remains the major revenue contributor for the company.

Location advantage due to presence in aquaculture zone in Andhra Pradesh
The processing unit in Nellore, which is a prime aquaculture zone near coastal area of Andhra Pradesh, helps the company to procure raw materials and process them immediately after harvest. FSFPL procures raw materials from local farmers in and around Andhra Pradesh through its agents on mutual price bargain. The shrimps are transported to the processing units in insulated trucks. The processing plant at Nellore near to major seaports like Krishnapatnam, Vizag, and Chennai port, making export shipments logistically viable. Company has distribution network of above 150 dealers.

Accredited manufacturing facility from authorities
Manufacturing facility of FSFPL, at Nellore compliant with standards for seafood products. The unit is accredited with certifications from Hazard Analysis Critical Control Point (HACCP), British Retail Consortium (BRC) Global Standard for Food Safety certification. It also has other certifications like Best Aqua Culture Practices (BAP) for both feed and Shrimp processing.

Government support to aqua industry
India's seafood exports touched an all-time high in volume in FY23-24 despite challenges in significant export markets. India shipped 1781,602 MT of seafood worth ₹60,523.89 crore (US$7.38 billion) in 2023-24. This was accomplished despite numerous challenges in some of its key export markets, including the US. Frozen shrimp, which earned ₹40,013.54 crore (US$4881.27 million), retained its position as the top item in the seafood export basket, accounting for a share of 40.19% in quantity and 66.12% of the total dollar earnings. The Indian shrimp exports in FY24, moderated in INR terms compared to growth in earlier years, majorly due to international pricing pressure, with export realisations falling by ~10% y-o-y in FY24, with no major change in volumes. Pricing pressures are majorly from muted demand from China and Europe, which have been two major customers for India after the US, and competition from Ecuador.

The marine product export 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.

Key weaknesses

Geographical and customer concentration risk
The company exports shrimp to countries with UAE and Hongkong contributing 72% of total export sales in FY24 resulting in geographical concentration risk. Any unfavourable change in the government policy such as higher anti-dumping duty or other import restriction which will have a major impact on both operational and financial performance of the company. FSFPL is also subjected to customer concentration with the top ten customers in FY24 alone contributed ~45% of the TOI for the company against 54% in FY20. FSFPL has been expanding its customer profile and geographical presence to mitigate the risk of concentration. Despite the diversification both geographically and customer wise, the company is still exposed to the concentration risk given the high percentage contribution to the revenue till FY24.

Moderate capital structure and debt coverage indicators
Total debt profile of the company consists of term loans for capex, unsecured loans from promoters, and working capital borrowings. Financial risk profile of the company marked by overall gearing ratio stood moderate at ~1.26x as on March 31, 2024, against 0.52x as on March 31, 2020. The company availed term loans in FY21 for expansion of shrimp processing unit and reliance on working capital borrowings over a period of time with increasing scale of operations resulted in moderation in financial

risk profile. Other debt coverage indicators, like interest coverage ratio stood comfortable at 3.26x, whereas total debt to gross cash accruals (TDGCA) stood high at ~6.73x in FY24. As on September 30, 2024, overall gearing ratio further deteriorated to 1.38x considering increased reliance on working capital limits.

Presence in highly competitive industry
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 realisations. The seafood export segment is marked by stringent regulations and quality requirements. Many of the export destinations, such as the United States, 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
Being agro commodity, shrimp farming is exposed to climatic conditions. Production and raw material prices tend to fluctuate and may depend on the vagaries of nature. Thus, profitability margin is impacted due to volatile nature of raw material. Shrimp farming is disease prone as there are a variety of lethal viral and bacterial diseases that affect shrimp. However, after repeated tests, Vannamei shrimps have been observed to be more resistant than Black Tiger to various diseases. There has not been disease outbreak for the past one decade in Indian seafood sector. In addition to that, the company rigorously follows pond management system and timely cultural stocking process to avoid the aforementioned risks.

Volatility in availability of raw material affecting profitability margins
The raw material cost contributes ~70% of total TOI and volatility in raw material prices may impact the profitability margins. FSFPL procures raw materials for Shrimp processing from local farmers in Nellore and around Andhra Pradesh through its agents on mutual price bargain. The likelihood to drop the price of shrimps (owing to over stocking in the export markets) and fear of spread of diseases among shrimps have forced aquaculture farmers to cut production in the farms. Shrimp farming is highly disease prone as there are a variety of lethal viral and bacterial diseases that affect shrimp. The major raw materials of the company are agro products such as soya, fish meal, and wheat flour etc., which are being available domestically and the company procures the same through brokers and farmers at prevailing market price. Some of these raw materials are kharif crops, being sown in June and harvested in September-October and thus its availability is affected by weather conditions such as low or high rainfall, and production levels among others.

Vulnerability to adverse changes in export incentives, international trade policies, and forex risk
FSFPL's profitability is supported by the export incentives received from the Government of India (GoI). Any adverse changes in export incentives by GoI will have impact on business profile. The company derived over 100% of its sales from shrimps through exports in FY24, making it vulnerable to geographical concentration risk as demand slowdown or adverse changes in the trade policies of the importing countries may affect the business profile of the company.

Working capital intensive nature of operations
The feed processing division depends on seasonal raw materials, procuring them based on price feasibility and maintaining an inventory of approximately two months to meet market demand, leading to high inventory days. On the other hand, processed shrimp is sold directly to export customers against confirmed orders, with transit period of ~30 to 90 days, including procurement, processing, and shipment to the destination. Due to these operational factors, the company has a high working capital requirement, leading to reliance on working capital borrowings. This inherently results in a stretched operating cycle, which stood at 118 days in FY24, primarily due to high inventory holding of 101 days. The company's collection period was 56 days, while creditor days remained at a comfortable 39 days in FY24. As on March 31, 2024, the company's total outstanding debtors stood at ₹81.18 crore, with 82% of receivables being less than six-months old.

Liquidity: Adequate
Liquidity is adequate marked by GCA of ₹20.48 crore against debt repayment obligation of ₹5.81 crore for FY25. Average utilisation of working capital limits for last 12 months ended December 2024 stood at ~80%. Unutilised working capital limits provide sufficient cushion to meet the working capital requirements, in case of short-term exigencies.

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
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

FSFPL was incorporated on October 17, 2011, as a Private Limited Company, initially started Shrimp-Hatchery, there after it has also been manufacturing "Shrimp-Feed" successfully since 2015. The company entered global market for further expansion and started new processing unit for processing and exporting shrimp from July 2021 onwards. The shrimp hatchery has a production capacity of over 100 million seedlings. The Feed Manufacturing Unit in Nellore with an annual production capacity of 58,000 tonnes. Shrimp processing unit has annual production capacity of 13,000 tonnes.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	429.08	451.08	503.70
PBILDT	30.75	32.79	38.03
PAT	10.64	11.94	15.21
Overall gearing (times)	1.14	1.26	NA
Interest coverage (times)	3.11	3.26	3.68

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

Status of non-cooperation with previous CRA:
Infomerics has placed the rating for bank facilities of Fedora Sea Foods Private Limited under IVR BBB; Negative; Issuer Not Cooperating/ IVR A3+; Issuer Not Cooperating vide PR dated November 05, 2024, due to absence of adequate information from the company.

ICRA has placed the rating for bank facilities of Fedora Sea Foods Private Limited under ICRA B+; Stable; Issuer Not Cooperating vide PR dated December 18, 2024, due to absence of adequate information from the company.

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		-	-	-	44.62	CARE BBB; Stable
Fund-based - LT-Term Loan		-	-	01-09-2028	5.38	CARE BBB; Stable
Fund-based - LT/ ST-EPC/PSC		-	-	-	110.00	CARE BBB; Stable / CARE A3

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	44.62	CARE BBB; Stable	-	-	-	-
2	Fund-based - LT/ ST-EPC/PSC	LT/ST	110.00	CARE BBB; Stable / CARE A3	-	-	-	-
3	Fund-based - LT-Term Loan	LT	5.38	CARE BBB; Stable	-	-	-	-

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-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-EPC/PSC	Simple

Annexure-5: Lender details

To view 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	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Karthik Raj K Director **CARE Ratings Limited** Phone: +91-80-4662 5555 E-mail: karthik.raj@careedge.in Y Tejeshwar Reddy Assistant Director **CARE Ratings Limited** Phone: 914040102030 E-mail: Tejeshwar.Reddy@careedge.in Ramadevi Kamireddi Lead Analyst **CARE Ratings Limited** E-mail: Ramadevi.K@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 detailed Rationale Report and subscription information, please visit www.careedge.in