

## Varma Marine Private Limited

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	59.25 (Reduced from 59.50)	CARE BB; Stable	Reaffirmed
Short Term Bank Facilities	29.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1

### Rationale and key rating drivers

The ratings assigned to bank facilities of Varma Marine Private Limited (VMPL) are constrained by its moderate scale of with profitability in FY24 [Audited, FY refers to the period April 01 to March 31], moderate capital structure as well as debt coverage indicators, stretched liquidity and working capital-intensive nature of business. The ratings are further constrained due to the presence in a highly regulated industry along with exposure to waterborne diseases and fragmented as well as competitive nature of the industry.

However, the ratings draw comfort from experienced promoters, proximity to raw material availability with an established procurement network for processing plant, diversified market and customer portfolio and stable industry outlook.

### Rating Sensitivities – Factors likely to lead to rating actions

#### Positive Factors

- Ability of VMPL to improve its TOI above Rs 200 crores while maintaining moderate PBILDT margins of more than 10%.
- Further improvement in overall gearing below 1x on a sustained basis.

#### Negative Factors

- Addition of any long-term debt leading to deterioration of overall gearing above 3.00x.
- PBILDT margins deteriorating below 5% due to volatile raw material prices.

### Analytical approach: Standalone

#### Outlook: Stable

Stable outlook reflects CARE Ratings' belief that VMPL shall sustain its moderate financial risk profile over the medium term.

### Detailed description of the key rating drivers:

#### Key weaknesses

##### *Moderate scale of operation with profitability*

The scale of operations marked by total operating income of VMPL grew significantly by 115% primarily on account of increase in volume of shrimp exported along with higher sales realizations and remain moderate of Rs 158.31 crore in FY24 against Rs. 73.68 crore in FY23. In FY24, VMPL has sold at 3367 MT of shrimps as against 1970 MT sold in FY23. Moreover, VMPL has achieved TOI of Rs. 132.92 crores in 10MFY25. The scale of operation is expected to remain moderate in short to medium term. Further, PBILDT and PAT margins of VMPL deteriorated to 8.68% and 3.60% respectively in FY24 as compared to 13.81% and 5.10% in FY23 due to increase in cost of sales due to exports to USA wherein the logistics cost incurred is higher than that of exporting to China. Further, VMPL also had to bear additional expenses for license under Private Limited company and legal expenses which are more of a one time in nature, led to decline in profitability. During 10MFY25 the PBILDT margin improved marginally due to increase in realisation of goods sold along with stable input cost and was at 8.13%. The profitability is expected to remain moderate in short to medium terms.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

### ***Moderate capital structure as well as debt coverage indicators***

The capital structure of VMPL stood moderate as marked by an overall gearing of 1.58x as on March 31, 2024 (1.37x as on March, 31, 2023) due to high reliance on external debt. As on January 31, 2025 the capital structure moderated due to increase in debt level mainly in form of working capital borrowing and continue to remain moderate at 1.99x.

As a result of moderate profitability and moderate gearing level, debt coverage indicators also remained moderate, as marked by TD/GCA of 6.48 years as on March 31, 2024 vis-à-vis 4.7 years as on March 31, 2023. However, PBILDT interest coverage ratio was satisfactory of 5.70x in FY24 (4.44x in FY23). However, During 10MFY25 PBILDT interest coverage ratio was moderated owing to increase in interest cost and was at 2.53x.

### ***Working capital-intensive business resulting in elongated operating cycle***

VMPL operates in a working capital-intensive nature of the operation as reflected by working capital utilization of about 94% for the last 12 months ended January 2025. Further, the working capital cycle of VMPL also remain elongated to 150 days in FY24 (P.Y. 110 days) majorly on account of increase in the collection period from 17 days in FY23 to 52 days in FY24. Further, Inventory holding period was elongated ranging between 85 to 110 days to as VMPL is holding inventory to fulfil the expected order intake. VMPL procures raw materials from local farmers' suppliers from majorly Andhra Pradesh and other nearby states like West Bengal, Odisha, Tamil Nadu, and Gujarat through its agents on mutual price bargains. Further, the ratio of net working capital to total capital employed also remained high at 78% as on March 31, 2024.

### ***Presence in highly regulated industry and exposure to waterborne diseases***

The shrimp industry operates under a complex web of regulations. The food and drug administration (FDA) of USA and European commission of Europe set standards regarding food safety and hygiene for imported shrimps. Strict limits are placed in the use of antibiotics in shrimp farming. Regulations also required proper documentation of the supply chain from farms to processing units to identify source of contamination, if any. There are varieties of lethal viral and bacterial diseases that may affect shrimp. The fact that the shrimps are kept in clusters, acts as an exponential factor in multiplying the disease caught by a single shrimp and wipes out almost 90% of the total shrimp population in a particular farm. A major transfer vector of many of these viruses is the water itself; thus, any virus outbreak also carries the danger of decimating shrimp living in the wild.

### ***Fragmented and competitive nature of the 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 realizations. The 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. Exports of Shrimp to the US markets which accounts for a big portion of shrimp exports from India, is impacted by the increasing reliance of USA on Ecuador for shrimp imports. The geographical proximity of Ecuador to USA and trade agreements are giving an edge to Ecuador over Indian shrimp exports.

## **Key Strengths**

### ***Experienced promoters***

The promoters of VMPL are highly experienced. Including both the Directors i.e., Mr. Venkateswara Varma and Mr. Manoj Varma, all other Directors of VMPL are vastly experienced. VMPL is a family-run business that has been into aqua farming for the past two and a half decades. The promoters of VMPL are family members, and they have supported the operations through an infusion of funds. The promoters are supported by a team of qualified and experienced professionals.

### ***Proximity to raw material availability with an established procurement network for processing plant***

VMPL processing plant is in the prime aquaculture zone by the coastline of Andhra Pradesh, which enables VMPL to procure raw materials and process them immediately after harvest. This results in better quality products as well as lower transportation costs. VMPL procures raw materials from local farmers majorly located in Andhra Pradesh followed by West Bengal, Odisha, Tamil Nadu, and Gujarat through its agents on mutual price bargains. The shrimp are transported to the processing unit in insulated trucks. This enables VMPL in cost-effectively procuring quality raw materials.

### ***Diversified market and customer portfolio***

VMPL started its operations with exporting its products to the countries in Middle east and South Asia. But from Q3FY23 onwards, VMPL started exporting to the United Kingdom, China, USA, Taiwan and Vietnam. The USA is a huge market for Shrimps. A diversified portfolio is expected to improve the profit margins for VMPL further going forward.

### ***Stable industry outlook***

Shrimp is a popular seafood item and the demand for shrimp is expected to continue growing with increasing population, increasing disposable incomes, and increasing popularity of convenience food. Advancements In breeding, better pond management and disease prevention will lead to a higher shrimp yield and make Indian exporters more competitive in the international markets. Government initiatives like Pradhan Mantri Matsya Sampada Yojna (PMMSY) will further improve Indian shrimp industry by supporting aquaculture, providing financial assistance and infrastructure development. India is one among the top three suppliers of shrimp along with Ecuador and Vietnam and the top three consumers are USA, Europe and China. With growing technological advancements in this sector in India, India exporters are providing better quality of Shrimps which is more appealing to the USA and European markets.

### **Liquidity: Stretched**

The liquidity position of VMPL is stretched as marked by high utilisation of its working capital limit, low cash and bank balance and negative cashflow from operations. The working capital limits are highly utilised for the past 12 months ending January 2025 at 94% due to working capital intensive nature of business, Further, VMPL had a cash balance of around Rs. 0.16 crores as on March 31, 2024, while its cash flow from operation was negative at Rs.33.30 crore. However, its cash accruals are expected to be adequate to meet its debt repayment obligation of Rs.2.18 crore for FY25.

**Assumptions/Covenants:** Not Applicable

**Environment, social, and governance (ESG) risks:** Not Applicable

### **Applicable criteria**

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non-financial Sector](#)

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

[Short Term Instruments](#)

### **About VMPL and Industry**

#### **Industry classification**

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

Varma Marine Private Limited (VMPL) is a seafood processing company established in the year 2021 in the name of the firm Varma Marine. The operations have been transferred to current company in Q4FY24. It is based in Mogalturu, Andhra Pradesh. VMPL is run by Cherukuri Venkateswara Varma and Cherukuri Sai Manoj Varma. VMPL is into the processing of Sea Food i.e., Shrimp and exporting them to Middle Eastern, South Asian countries, UK and USA. VMPL's processing facilities are well-equipped and compliant with International Standards for seafood product processing. It has a total installed capacity of ~11000 MTPA as on March 31, 2024. The promoters have got a vast experience in shrimp farming.

Brief Financials (Rs. crore)	March 31, 2023 (A)	March 31, 2024 (A)*	10MFY25 (Prov.)
Total operating income	73.68	158.31	132.92
PBILDT	10.17	13.75	10.81
PAT	3.76	5.55	4.71
Overall gearing (times)	1.37	1.58	1.99
Interest coverage (times)	4.44	5.70	2.53

A: Audited; Prov.: Provisional Note: 'the above results are latest financial results available'

\*revised financials due to reclassification of financials

**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-EPC/PSC		-	-	-	55.00	CARE BB; Stable
Fund-based - LT-Term Loan		-	-	March 2027	4.25	CARE BB; Stable
Fund-based - ST-Foreign Bill Discounting		-	-	-	20.00	CARE A4
Fund-based - ST-SLC-WC		-	-	-	5.00	CARE A4
Non-fund-based - ST-Forward Contract		-	-	-	4.00	CARE A4

**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	Fund-based - LT-Term Loan	LT	4.25	CARE BB; Stable	1)CARE BB; Stable (07-Oct-24) 2)CARE BB; Stable (02-Apr-24)	-	-	-
2	Fund-based - LT-EPC/PSC	LT	55.00	CARE BB; Stable	1)CARE BB; Stable (07-Oct-24) 2)CARE BB; Stable (02-Apr-24)	-	-	-
3	Fund-based - ST-Foreign Bill Discounting	ST	20.00	CARE A4	1)CARE A4 (07-Oct-24)	-	-	-
4	Fund-based - ST-SLC-WC	ST	5.00	CARE A4	1)CARE A4 (07-Oct-24)	-	-	-
5	Non-fund-based - ST-Forward Contract	ST	4.00	CARE A4	1)CARE A4 (07-Oct-24)	-	-	-

LT: Long term; ST: Short Term

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities:** Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-EPC/PSC	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - ST-Foreign Bill Discounting	Simple
4	Fund-based - ST-SLC-WC	Simple
5	Non-fund-based - ST-Forward Contract	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 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](mailto:care@careedge.in) for any clarifications.

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### About us:

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