Profand Vayalat Marine Exports Private Limited

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term / Short Term Bank Facilities	80.00	CARE BBB-; Stable / CARE A3	Reaffirmed
Short Term Bank Facilities	30.00	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to the bank facilities of Profand Vayalat Marine Exports Private Limited (PVMEPL) continue to derive strength from the extensive experience of the promoters and long operational track record in the seafood industry, established relationship with the clients, enhanced capacities and locational advantages and improving profitability margins.

However, ratings continue to be constrained by the company's leveraged capital structure and moderate debt coverage indicators, highly regulated and competitive nature of the seafood industry, and exposure to intense competition and volatile raw material prices.

Rating sensitivities: Factors likely to lead to rating actions

Positive Factors

- Consistently improving scale of operations above ₹750-800 crore while maintaining profit before interest, lease rental, depreciation, and taxation (PBILDT) margins above 6%
- Sustainably improving capital structure, with overall gearing below 1.2x

Negative Factors

- Deteriorating term debt/gross cash accruals (GCA) above 3x.
- Deteriorating PBILDT margins below 3% on a continuous basis.
- Elongating operating cycle beyond two months.

Analytical approach: Consolidated, factoring linkages with the joint venture (JV) group.

For arriving at its ratings, CARE Ratings Limited (CARE Ratings) has consolidated the financials of PVMEPL and Sun Aquatic Products Private Limited (SAPL) as SAPL is a 100% owned subsidiary of PVMEPL and in the same line of business. The JV partner, Grupo Profand S.L. (Profand) holding 50% stake in PVMEPL is also the marquee customer accounting for ~60% of sales offtake. The list of entities consolidated has been given in **Annexure-6.**

Outlook: Stable

The stable outlook reflects that PVMEPL is likely to benefit from experience of promoters to sustain its operational performance from enhanced capacities and diversified product lines, resulting in improved margins in the medium term.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with long operational track record

PVMEPL is a JV between Spain-based, Grupo Profand and Joseph J Vayalat. The promoters of the company, Joseph J Vayalat and his wife, Romeena Jose, have over four decades of experience in the seafood industry. The other promoter and JV partner, Grupo Profand S.L., is a part of Profand Fishing Holding S.L., which is a prominent name in seafood industry and reported a total operating income (TOI) of ~₹8,300 crore in CY23. The Profand group has been engaged in processing seafood for over two decades. It has a network of 13 processing plants and three aquaculture facilities with a global presence in over four continents. The JV partner offtakes ~60% of the produce from PVMEPL.

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

Enhanced capacities and locational advantages

Previously, PVMEPL operated solely from its processing facility in Palluruthy, Kochi. In FY23, the company established a new processing plant under its subsidiary, SAPL, equipped with Individually Quick Frozen (IQF) capabilities at Cherthala, Alappuzha. This new facility boasts a cold storage capacity of 1608 MT, ensuring adequate stock levels and quality preservation. The integration of processing and storage capabilities within the same premises has allowed the company to eliminate the need for logistics and outsourced processing. While SAPL's facility processes products such as cuttlefish and squid, the original Palluruthy facility has begun processing new products such as tuna, ribbon fish and other fish varieties. The strategic location of these plants in a coastal region, close to raw material sources, enables the group to procure and process materials immediately after harvest. Additionally, the company maintains a storage unit near Cochin Port, facilitating the export of most products.

Improving profitability margins despite moderation in scale of operation

PVMEPL reported a TOI of ₹496 crore in FY24 against ₹647 crore in FY23. Moderation in TOI was due to decline in volumes attributable to muted demand amid inventory build-up in key markets and scaling down of trading nature of operations. Scale of operations nearly stabilised with combined TOI of ₹453 crore in 9MFY25 (9MFY24: ₹431 crore). The PBILDT margins improved to 4.37% in FY24 from 2.55% in FY23 aided by cost optimisation and reduced trading operations. The PBILDT margins have further improved to 5.49% in H1FY25. Sustenance of margins at the present levels shall remain a key rating monitorable.

Key weaknesses

Leveraged capital structure and modest debt protection metrics.

The company's capital structure continues to remain leveraged marked by overall gearing of 4.85x as on March 31, 2024. (PY: 3.45x). Increase in gearing was considering higher working capital utilisation on the back of higher focus on processing activities, which necessitates higher inventory holdings. However, with better credit terms from suppliers and trade advance from customers, the utilisation has come down in the current year, with overall gearing improving to 3.11x as on September 30, 2024. Company had cash bank balance and lien marked fixed deposits of ₹69.27 crore as on March 31, 2024 (PY: ₹46.92 crore). The coverage indicators marked by interest coverage and total debt (TD)/PBILDT stood moderate at 1.94x and 9.30x, respectively, as on March 31, 2024. Aided by improved accruals in the current year, CARE Ratings expects the company's capital structure and debt coverage ratios to improve in the medium term albeit at a slower pace.

Concentrated revenue

The group primarily exports to clients in Europe (mainly Spain), Asia and USA and has a relationship of over a decade with majority of its customers. Grupo Profand, the JV partner, is one of the leading customers contributing ~61% of the TOI in FY24 (PY: 66%). The contribution from the top 10 customers constituted ~73% of the TOI in FY24, which despite lower than 77% in FY23, still exposes the company to customer concentration risk. To mitigate the same, the company is continuously diversifying its customer base and has started exporting to new countries including China and Thailand among others.

Exposure to intense competition and volatile raw material prices

The seafood industry is exposed to intense competition with 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 US, Japan, and European countries, implement regulations (including anti-dumping duty, food safety regulations, and quality requirements) that need to be complied with.
PVMEPL's profitability is susceptible to volatile raw material prices as the company has limited ability to pass on increase in raw material prices to customers. Most of PVMEPL's revenues are in USD and Euro, exposing the company to significant forex risk. However, the company uses forward contracts to mitigate the risk of adverse changes in foreign currency exchange rates in respect of its forecasted cashflows and trade receivables.

Regulatory risk and highly fragmented industry

Seafood is a depleting commodity and increased severity of regulations on excessive fishing has rendered supply more irregular. Thus, governments around the world regularly put up new regulations regarding international trade of seafood. The volatility in availability of seafood from other European countries also affects the demand for seafood exports from India. PVMEPL's profitability is also supported by the export incentives received from the GoI. The GoI replaced MEIS with the RoDTEP scheme in January 2021. Changes in export incentives may impact the margins of players in the industry. Also, adverse or unfavourable changes in the trade policies of the importing countries may affect the business profiles of the companies.

Liquidity: Adequate

Liquidity profile is adequate marked by GCA of ₹14 crore in FY24 against repayment obligations ₹7 crore in FY25. The unencumbered cash and bank balances stood satisfactory at ₹17 crore as on March 31, 2024. It also maintains fixed deposits of ~₹52 crore as margin money towards working capital limits and bank guarantees as on March 31, 2024. Average utilisation of working capital limits for the 12 months ended December 2024 stood relatively high at 80%. The working capital cycle elongated to 46 days in FY24 (PY: 20 days) due to higher stocking of inventory by company for better utilisation of its processing capacities. Receivables period also increased to 35 days in FY24 (PY: 16 days) with higher sales to non-JV customers with extended credit terms.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

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

PVMEPL was established on March 12, 2012, as a JV between Spain-based, Grupo Profand, and Joseph J Vayalat with 50:50 share. It is engaged in the processing and exporting cuttlefish, squid, octopus, red-ring, and other varieties at its processing facilities in Kochi and Alappuzha. PVMEPL and SAPL have a combined processing capacity of 239 metric tonne per day (MTPD). The company has also been adding new products to its portfolio, such as Tuna, Ribbon fish, and other fish varieties.

Brief Financials - Consolidated (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	647.17	496.23	288.44
PBILDT	15.88	21.67	15.84
PAT	-4.10	2.52	2.67
Overall gearing (times)	3.45	4.85	3.11
Interest coverage (times)	1.72	1.94	2.36

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

Status of non-cooperation with previous CRA:
CRISIL Ratings has conducted the review on the basis of best available information and has classified PVMEPL as 'Not cooperating' vide its press release dated November 21, 2024. The reason provided by CRISIL Ratings is non-furnishing of information for monitoring of rating.

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/ ST-EPC/PSC		-	-	-	80.00	CARE BBB-; Stable / CARE A3
Fund-based - ST-Bill Discounting/ Bills Purchasing		-	-	-	30.00	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 - ST-Bill Discounting/ Bills Purchasing	ST	30.00	CARE A3	-	1)CARE A3 (14-Mar-24)	1)CARE A3 (07-Feb-23)	1)CARE A4+ (04-Mar-22)
2	Fund-based - LT/ ST-EPC/PSC	LT/ST	80.00	CARE BBB-; Stable / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (14-Mar-24)	1)CARE BBB-; Stable / CARE A3 (07-Feb-23)	1)CARE A4+ (04-Mar-22)

ST: Short 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/ ST-EPC/PSC	Simple
2	Fund-based - ST-Bill Discounting/ Bills Purchasing	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6: List of entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Sun Aquatic Products Private Limited	Full	100% Subsidiary

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.

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About us:
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