

Growel Feeds Private Limited

April 07, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	187.50	CARE BBB+; Stable	Reaffirmed
Short-term bank facilities	65.50	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation of ratings assigned to bank facilities of Growel Feeds Private Limited (GFPL) continues to derive comfort from adequate liquidity, growing profitability, experienced promoter group supported by a well-qualified team, comfortable capital structure, and satisfactory operating performance. However, these strengths are partially offset by a decline in scale of operations, the working capital intensive business, industry susceptibility to diseases and climatic conditions, intense competition in a highly fragmented market, and raw material price volatility.

Ratings also factor in GFPL's operational and financial performance in 9MFY25.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Profit before interest, lease rentals, depreciation and taxation (PBILDT) margin improving to above 8% with steady growth in revenue.
- Return on capital employed (ROCE) improving to above 17% on a sustained basis.

Negative factors

- Decline in PBILDT margin to less than 3%.
- Overall gearing deteriorating to beyond 1.2x, going forward.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity will continue to benefit from the vast experience of its promoters, and established market position in the industry.

Detailed description of key rating drivers:

Key strengths

Experienced promoter group supported by a well-qualified team

GFPL is the flagship company of the Growel Group, currently led by M.V.N. Sesha Chary, C. Sudheer, and P. Srinivas. M.V.N. Sesha Chary, a qualified Chartered Accountant, has been associated with the Growel Group for over a decade. P. Srinivas, a key promoter, has over 15 years of experience in fish culture, managing 350 acres of aquaculture, and also runs a successful fish feed ingredients trading business, M/s Vijay & Co, Kikaluru, which has been operating for over a decade in Krishna district. With their deep-rooted connections in the aquaculture industry, particularly in the coastal districts of Andhra Pradesh, the promoters leverage their expertise and networks to strengthen GFPL's business operations. Currently, they oversee fish cultivation across ~600 acres. The promoters actively manage GFPL's day-to-day operations, supported by a team of experienced professionals, ensuring efficient business execution and growth.

Comfortable capital structure

The company's debt profile primarily consists of working capital borrowings and term loans. The capital structure remains comfortable, with overall gearing improving to 0.96x as of March 31, 2024, from 1.04x as on March 31, 2023. Total debt (TD) to gross cash accruals (GCA) also improved to 4.25x in FY24 from 4.60x in FY23 due to improved profitability. However, interest coverage (PBILDT/Interest) declined slightly from 1.87x in FY23 to 1.64x in FY24 due to higher working capital utilisation driven by increased inventory holdings. Going forward, the capital structure and debt coverage metrics are expected to strengthen further with higher profit retention considering improved profitability, scheduled term debt repayments, and reduced reliance on working capital facilities.

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

Growth in profitability

Despite the decline in total operating income (TOI), PBILDT margin improved by 31 bps, rising from 3.14% in FY23 to 3.45% in FY24, driven by lower raw material costs while selling prices remained stable. Advancements in research and product development have strengthened product formulation and enhanced the overall product mix. The downturn in the poultry industry has led to a decline in soya prices, enabling the company to procure and store soya in its warehouses, which is expected to further support margin expansion. With the commencement of pet food manufacturing in August 2024-covering dog, cat, hatchery, and aquarium feed, a segment with a minimum profit margin of 25%, overall profitability is expected to improve further in the future.

Satisfactory operating performance

GFPL commenced commercial operations in March 2010 with a fish feed manufacturing facility and later expanded into shrimp feed production in February 2014. Since then, the business has grown rapidly, with shrimp feed contributing significantly to overall revenue. The company's installed capacity increased from 1.8 lakh MT to 3.63 lakh MT from FY19 onwards. However, capacity utilisation has slightly declined in both the fish feed and shrimp feed segments due to subdued demand. GFPL specialises in pellet-based fish feed, which is in high demand due to its balanced nutritional profile, enabling optimal fish growth. Its floating feed offers superior productivity, better efficiency, and even distribution in ponds, making it highly relevant for competing fish farmers in the region. Notably, GFPL is among the few companies in the industry manufacturing floating feeds.

Key weaknesses**Decline in scale of operations**

The company's TOI declined by ~4.48%, from ₹1,183.15 crore in FY23 to ₹1,063.99 crore in FY24, primarily due to a reduction in the quantity of feed sales. This decline was driven by decreased shrimp and fish cultivation in Andhra Pradesh, following the removal of the electricity subsidy. Exports declined in FY25 as buyers shifted to suppliers from neighbouring countries with lower transportation costs. For 9MFY25, the company recorded a TOI of ~₹673 crore and expects to close FY25 at ~₹910 crore. Looking ahead, with the anticipated recovery of Andhra Pradesh's aquaculture sector, the launch of leased warehouses and manufacturing plants in Northern and Eastern India, and an increase in export orders, the company expects significant turnover growth in FY26.

Working capital intensive nature of business

GFPL's operations are working capital-intensive, driven by the need to maintain high raw material inventory amid price volatility and the extended credit periods offered to customers. The company provides a credit period of 180–240 days to fish feed dealers and 120 days to shrimp feed dealers, aligning with the natural growth cycle of fish and shrimp. Despite long credit cycles, GFPL has not faced significant bad debts in recent years, supported by its strong distribution network. The company's working capital cycle remained comfortable at 78 days in FY24 (compared to 75 days in FY23). However, the average collection period increased from 104 days in FY23 to 124 days in FY24, primarily due to an extension in export credit periods for select customers—from 90 days to 270 days against a Letter of Credit. The average inventory period rose from 47 days in FY23 to 60 days in FY24, while the average creditors' period increased from 76 days to 106 days, as the company procured raw material in quantities in March 2024.

Disease-prone industry with dependence on climatic conditions

Aqua farming, being an agro-based industry, is highly susceptible to climatic conditions, which can cause fluctuations in production and raw material prices. Shrimp farming is particularly disease-prone, with lethal viral and bacterial infections posing a significant risk. However, repeated studies have shown that Vannamei shrimp are more resistant to diseases compared to Black Tiger shrimp. Notably, the Indian seafood sector has not experienced a major disease outbreak in the past decade. Future outbreak could have a cascading effect on feed demand, negatively impacting the industry.

Highly fragmented industry with intense competition

The aqua feed industry is highly fragmented, with numerous organised and unorganised players, largely due to low entry and exit barriers. This results in intense competition among industry participants. Despite this, GFPL has managed to sustain its position through strong client relationships and a continuous focus on product quality improvement. The company deploys on-field aquaculture technicians to monitor and analyse product performance, ensuring consistent quality. GFPL boasts a dedicated in-house R&D and testing facility, further strengthening its competitive edge.

Volatility in raw material prices

The primary raw materials required for manufacturing aquafeed are soya meal, fish meal, wheat, and de-oiled rice bran (DORB). As most of these raw materials are agro based, their prices are highly sensitive to monsoon. Abnormal or weak monsoons can lead to price increases, which may negatively impact the company's profitability. To mitigate this, the company purchases raw materials in large quantities, maintaining a higher level of inventory to shield itself from price fluctuations. GFPL has been successful in passing on input price volatility to its customers, as reflected in its sales realisation.

Liquidity: Adequate

Liquidity remains adequate, supported by healthy gross cash accruals of ₹16.55 crore in FY24 against a debt repayment obligation of ₹6.53 crore. With a below-unity gearing ratio, the company has sufficient financial flexibility to raise additional debt if needed. The average working capital limit utilisation was moderate at 81.71% over the past 12 months ending December 31, 2024, backed by a comfortable current ratio of 1.17x as of March 31, 2024. Net cash flow from operations stood at ₹40.19 crore in FY24, while unencumbered cash and bank balances were ₹3.85 crore as on March 31, 2024, and ₹4.10 crore as on December 31, 2024.

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

Incorporated in January 2008, GFPL is engaged in manufacturing extruded floating fish feed and shrimp feed. The company operates an ISO 9001:2008 certified feed manufacturing facility with an annual production capacity of ~270,000 tons of fish feed and 93,000 tons of shrimp feed at its manufacturing unit in Mudinepalli Mandal, Krishna District, Andhra Pradesh. GFPL is a part of the Growel Group, founded by M.S. Ranga Chary and V.N. Sessa Chary. Other key companies in the group include Growel Formulations (P) Ltd and Growel Processors Pvt Ltd, both well-established in the aquaculture industry and closely associated with leading fish farmers.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	1,113.85	1,063.99	672.82
PBILDT	35.03	36.73	32.85
PAT	8.78	6.54	8.14
Overall gearing (times)	1.01	0.94	1.03
Interest coverage (times)	1.87	1.64	2.02

A: Audited; UA: Unaudited; 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

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		-	-	-	175.00	CARE BBB+; Stable
Fund-based - LT-Term Loan		-	-	July 30, 2027	12.50	CARE BBB+; Stable
Non-fund-based - ST-BG/LC		-	-	-	65.50	CARE A2

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-Term Loan	LT	12.50	CARE BBB+; Stable	-	1)CARE BBB+; Stable (19-Feb-24)	1)CARE BBB+; Stable (25-Jan-23)	-
2	Fund-based - LT-Cash Credit	LT	175.00	CARE BBB+; Stable	-	1)CARE BBB+; Stable (19-Feb-24)	1)CARE BBB+; Stable (25-Jan-23)	-
3	Non-fund-based - ST-BG/LC	ST	65.50	CARE A2	-	1)CARE A2 (19-Feb-24)	1)CARE A2 (25-Jan-23)	-

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-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender detailsTo 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.

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About us:

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