Varma Marine Private Limited

May 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	4.25	CARE BB; Stable	Reaffirmed
Short-term bank facilities	29.00	CARE A4	Reaffirmed
Short-term bank facilities	55.00	CARE A4	Reclassified LT facilities to ST; ST rating assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

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 April 01 to March 31], moderate capital structure and debt coverage indicators, stretched liquidity, and working capital intensive business. Ratings are further constrained due to the presence in a highly regulated industry and exposure to waterborne diseases and fragmented and competitive nature of the industry.
However, 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 total operating income (TOI) above ₹200 crore while maintaining moderate profit before interest, lease rentals, depreciation and taxation (PBILDT) margins of over 10%.
- Further improvement in overall gearing below 1x on a sustained basis.

Negative factors

- Addition of 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 key rating drivers:

Key weaknesses

Moderate scale of operation with profitability

The scale of operations marked by VMPL's TOI grew significantly by 115% primarily considering increase in volume of shrimp exported and higher sales realisations and remain moderate of ₹158.31 crore in FY24 against ₹73.68 crore in FY23. In FY24, VMPL has sold at 3367 MT of shrimps against 1970 MT sold in FY23. Moreover, VMPL has achieved TOI of ₹132.92 crore in 10MFY25. The scale of operation is expected to remain moderate in short-to-medium term. PBILDT and profit after tax (PAT) margins of VMPL deteriorated to 8.68% and 3.60%, respectively, in FY24 compared to 13.81% and 5.10% in FY23 due to increase in cost of sales due to exports to the US where the logistics cost incurred is higher than that of exporting to China. 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. In 10MFY25, the PBILDT margin improved marginally due to increase in realisation of goods sold and stable input cost and was at 8.13%. The profitability is expected to remain moderate in short-to-medium terms.

Moderate capital structure and debt coverage indicators

VMPL's capital structure 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 total debt to gross cash accruals (TD/GCA) of 6.48 years as on March 31, 2024 against 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, in 10MFY25, PBILDT interest coverage ratio was moderated owing to increase in interest cost and was at 2.53x.

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

Working capital-intensive business resulting in elongated operating cycle

VMPL operates in a working capital intensive operation as reflected by working capital utilisation of ~94% for last 12 months ended January 2025. VMPL's working capital cycle also remain elongated to 150 days in FY24 (PY: 110 days) majorly considering increase in the collection period from 17 days in FY23 to 52 days in FY24. Inventory holding period was elongated ranging between 85 and 110 days 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 such as West Bengal, Odisha, Tamil Nadu, and Gujarat, through its agents on mutual price bargains. 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 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 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 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 the US 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

VMPL's promoters, both Directors, Venkateswara Varma and Manoj Varma, as well as all other Directors are vastly experienced. VMPL is a family-run business that has been into aqua farming for the past two and a half decades. VMPL's promoters include family, who support the operations through fund infusion. 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's processing plant is in the prime aquaculture zone by the coastline of Andhra Pradesh, enabling it to procure raw materials and process them immediately after harvest. This results in better quality products and 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 shrimps are transported to the processing unit in insulated trucks, which 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. However from Q3FY23 onwards, VMPL started exporting to the United Kingdom, China, USA, Taiwan, and Vietnam. The US 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 such as 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 and Ecuador and Vietnam and the top three consumers are the US, 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 US 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 business. VMPL had a cash balance of ~₹0.16 crore as on March 31, 2024, while its cash flow from operation was negative at ₹33.30 crore. However, its cash accruals are expected to be adequate to meet its debt repayment obligation of ₹2.18 crore for FY25.

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

VMPL is a seafood processing company established in 2021 as Varma Marine. 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, shrimp and exporting them to Middle Eastern, South Asian countries, UK and the US. 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 (₹ 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: these are latest available financial results
* 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

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-Term Loan		-	-	March 2027	4.25	CARE BB; Stable
Fund-based - ST-EPC/PSC		-	-	-	55.00	CARE A4
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 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 2025-2026	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
1	Fund-based - LT-Term Loan	LT	4.25	CARE BB; Stable	-	1)CARE BB; Stable (31-Mar-25) 2)CARE BB; Stable (07-Oct-24) 3)CARE BB; Stable (02-Apr-24)	-	-
2	Fund-based - ST-EPC/PSC	ST	55.00	CARE A4	-	1)CARE BB; Stable (31-Mar-25) 2)CARE BB; Stable (07-Oct-24) 3)CARE BB; Stable (02-Apr-24)	-	-
3	Fund-based - ST-Foreign Bill Discounting	ST	20.00	CARE A4	-	1)CARE A4	-	-

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2025-2026	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
						(31-Mar-25) 2)CARE A4 (07-Oct-24)		
4	Fund-based - ST-SLC-WC	ST	5.00	CARE A4	-	1)CARE A4 (31-Mar-25) 2)CARE A4 (07-Oct-24)	-	-
5	Non-fund-based - ST-Forward Contract	ST	4.00	CARE A4	-	1)CARE A4 (31-Mar-25) 2)CARE A4 (07-Oct-24)	-	-

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-Term Loan	Simple
2	Fund-based - ST-EPC/PSC	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 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:

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.

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