Veerabhadra Exports Private Limited

July 08, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term / Short-term bank facilities	210.00	CARE BBB-; Negative / CARE A3	Downgraded from CARE BBB; Stable / CARE A3+
Short-term bank facilities	11.50	CARE A3	Downgraded from CARE A3+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Revision in ratings assigned to bank facilities of Veerabhadra Exports Private Limited (VEPL) is driven by significant decline in revenue from shrimp exports by over 37% in FY25 (Unaudited; FY refers to April 01 to March 31), contraction in operating and net profitability, and deterioration in capital structure led by increase in working capital borrowings. Ratings continue to derive strength from experienced promoters, locational advantage of the plant, recognition from international bodies, long standing customer relationship and benefits derived from being an export-oriented unit (EOU).

However, ratings remain constrained by the working capital intensive operations and inherent risks associated with the seafood industry. The implementation of higher reciprocal tariff rates by the US introduces uncertainty regarding future export volumes, given that a major portion of VEPL's revenue is derived from the US market.

Ratings also consider VEPLs efforts to diversify the line of business by venturing into exports of rice. However, given the trading nature of business, blended margins of export of shrimp and rice are expected to remain marginally on a lower side compared to the past.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increasing total operating income (TOI) to ₹500 crore or more and the profit before interest, lease rentals, depreciation and taxation (PBILDT) margin improving to above 6% on a sustained basis.
- Significantly improving leverage structure, with the overall gearing falling below 1.50x on a consistent basis.

Negative factors

- Notably elongating operating cycle above 150 days impacting liquidity.
- Deteriorating capital structure, with overall gearing increasing beyond 2.25x in future.

Analytical approach: Standalone

Outlook: Negative

Negative outlook reflects the potential impact of higher reciprocal tariff rates on exports to the US, which constitutes a major share of VEPL's revenue. The outlook may be revised to 'Stable' if the company demonstrates a recovery in its export volumes to the US and further increase the revenue derived from other geographies while maintaining satisfactory profitability.

Detailed description of key rating drivers:

Key strengths

Experienced promoters

VEPL has been promoted by Dwarampudi Veerabhadra Reddy. He is responsible for procurement, production, and marketing functions of the company. His wife, Madhuri Latha Dwarampudi, Director, the company's oversees administrative functions. Along with responsibilities in VEPL, Reddy is also a Director of Manasa Quality Enterprises Limited, Seashore Exims Private Limited, Crystalnova Foods Private Limited, and Sri Adilakshmi Property Developers Private Limited. VEPL benefits from experience of Reddy and his established relations in the industry. Promoters are supported by a qualified team of professionals down the line.

Recognitions from international bodies

VEPL's processing facilities are well-equipped and compliant with international standards for seafood product processing. Units are certified from the United States Food and Drug Administration (USFDA), Best Aquaculture Practices (BAP) – BAP A grade for the seafood choice. Hence, probability of export rejections is minimal for the company, as proper care is taken for multi-stage testing of the product.

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

Proximity to raw material availability with an established procurement network for processing plant
VEPL's processing plant is in the prime aquaculture zone by the coastline of Andhra Pradesh, which enables the company to procure raw materials and process them immediately after harvest. This results in better quality products and lower transportation costs. VEPL procures raw materials from local farmers from across the country, mainly from Andhra Pradesh, followed by West Bengal, Odisha, Tamil Nadu, and Gujarat through its agents on a mutual price bargain. Shrimps are transported to the processing unit at Kakinada in insulated trucks. This enables the company to procure quality raw materials in a cost-effective manner

Long-standing association with clientele, despite geographical concentration risk
VEPL is a predominantly export-oriented company, with over 95% of its total income derived from export sales. The United States accounts for a major share of these exports, exposing the company to geographical concentration risk. Adverse changes in the US trade policies—such as an increase in anti-dumping duties or imposition of import restrictions—could materially impact VEPL's operational and financial performance. The revenue contribution from the US declined to 74% in FY25 from 85% in FY24 In FY25, there has been increase in revenue contribution from African countries considering rice export. The company also moderately depends on key customers, with top five clients contributing 45% of shrimp revenue in FY25 (PY: 43%).

Key weaknesses

Significant decline in scale of operations and profitability
Revenue from operations declined by over 16% in FY25 to ₹436.31 crore (PY: ₹521.74 crore), primarily due to a significant drop in shrimp export revenue. In December 2024, the US imposed a countervailing duty (CVD) of 5.77% on Indian exports applicable to the company. In response, the company reduced supplies in Q4 to assess the impact on pricing. Production was suspended for around three months due to renovation work at processing plants. As a result, shrimp export revenue declined by over 37% to ₹302.04 crore (PY: ₹480.48 crore). The company entered the rice exports business in FY25, with supplies made to African countries, generating ₹99.78 crore in revenue. Operating profitability moderated in the year, with the PBILDT margin declining to 3.76% (PY: 6.93%). Decline was attributable to higher raw shrimp procurement and freight costs, presence of fixed overheads in the processing unit stoppage, and thin margins from rice exports to African markets.

Deterioration in capital structure
The company's capital structure moderated, with overall gearing deteriorating to 2.01x as on March 31, 2025, (PYE: 1.57x), primarily due to an increase in working capital borrowings. In FY25, the company entered the rice export business and enhanced its working capital limits to support order execution towards the end of the year. The company raised unsecured loans to fund renovation activities and meet working capital requirements related to the rice business, contributing to the overall increase in debt. Other coverage indicators also weakened due to a significant decline in profitability, with Total Debt/PBILDT at 12.70x in FY25 (PY: 4.47x) and an interest coverage ratio of 1.36x (PY: 3.58x).

Elongated working capital cycle
The operating cycle elongated to 173 days in FY25 (PY: 120 days), primarily due to a decline in exports to the US after the company halted shipments following the announcement of a 5.77% countervailing duty on Indian exports applicable to the company. This resulted in higher inventory levels against a reduced scale of operations. Rice exports to African countries were undertaken towards the end of FY25, leading to higher closing receivables.

Highly competitive and regulated industry
VEPL operates in a highly competitive environment, domestically and globally. In India, the shrimp processing and export sector has attracted significant investor interest in the last decade, supported by government incentives aimed at boosting seafood exports. Internationally, countries including Vietnam, Indonesia, and Ecuador have ramped up production, intensifying competition for Indian exporters. The company has experienced a decline in average sales realisation due to pricing pressure, particularly from Ecuador. As VEPL derives a major portion of its revenue from exports, its performance remains exposed to global socio-political factors such as anti-dumping duties, inflation, and foreign exchange fluctuations.

Disease-prone nature of seafood
The shrimp farming industry is inherently exposed to climatic variability and biological risks. Production levels and raw material prices are susceptible to fluctuations driven by weather conditions and disease outbreaks. Although species such as Vannamei offer better disease resistance compared to Black Tiger, the sector remains vulnerable to viral and bacterial infections that can affect yields and profitability. While there have been no major disease outbreaks in India in recent years, risk of recurrence remains a key concern for the industry.

Regulatory update
In April 2025, the United States imposed a 10% baseline import tariff on a wide range of products, including frozen shrimp, as part of the "Liberation Day" tariff policy. A 16% retaliatory tariff specifically targeting Indian goods is scheduled to come into effect post a 90-day pause ending July 09, 2025, unless a bilateral trade agreement is reached. In parallel, the US Department of Commerce has imposed CVD of 5.77% and has preliminarily revised anti-dumping duty (ADD) to 2.5%. Taken together, the cumulative duty burden on Indian shrimp exports to the US could rise to ~34-35% from the earlier levels of ~7-10%, significantly impacting price competitiveness and trade flows. This could adversely impact the competitiveness of Indian exporters, with countries such as Ecuador gaining an advantage due to lower applicable tariffs.

Liquidity: Adequate

The company generated gross cash accruals (GCA) of ₹6.49 crore for FY26 against nil term debt obligations and a vehicle loan repayment of ₹0.86 crore. Operating in a high working capital intensive shrimp industry and having entered the rice export business, the company requires substantial funds to procure raw shrimp in bulk, given the limited credit period from farmers and longer delivery timelines. This has resulted in high reliance on bank borrowings, marked by average working capital limit utilisation of 97% for 12 months ending April 2025.

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
Wholesale Trading

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Food products	Seafood

Promoted by D Veerabhadra Reddy, VEPL is engaged in processing and exporting Vannamei variety of shrimps. The company has two processing units in Andhra Pradesh with a cumulative installed capacity of 20,000 MT per annum. The US is the primary export destination for the company's products.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	521.14	521.74	436.31
PBILDT	35.57	36.17	16.40
PAT	13.43	14.26	1.04
Overall gearing (times)	1.78	1.57	2.01
Interest coverage (times)	4.02	3.58	1.36

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/ ST-EPC/PSC		-	-	-	210.00	CARE BBB-; Negative / CARE A3
Non-fund-based - ST-BG/LC		-	-	-	4.00	CARE A3
Non-fund-based - ST-Credit Exposure Limit		-	-	-	7.50	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 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	-	-	-	1)Withdrawn (05-Jul-24)	1)CARE BBB; Stable (06-Sep-23)	1)CARE BBB-; Stable (14-Feb-23) 2)CARE BBB-; Stable (02-Aug-22)
2	Non-fund-based - ST-BG/LC	ST	4.00	CARE A3	-	1)CARE A3+ (05-Jul-24)	1)CARE A3+ (06-Sep-23)	1)CARE A3 (14-Feb-23) 2)CARE A3 (02-Aug-22)
3	Fund-based - LT/ ST-EPC/PSC	LT/ST	210.00	CARE BBB-; Negative / CARE A3	-	1)CARE BBB; Stable / CARE A3+ (05-Jul-24)	1)CARE BBB; Stable / CARE A3+ (06-Sep-23)	1)CARE BBB-; Stable / CARE A3 (14-Feb-23) 2)CARE BBB-; Stable / CARE A3

								(02-Aug-22)
4	Non-fund-based - ST-Credit Exposure Limit	ST	7.50	CARE A3	-	1)CARE A3+ (05-Jul-24)	1)CARE A3+ (06-Sep-23)	1)CARE A3 (14-Feb-23) 2)CARE A3 (02-Aug-22)

LT: Long term; 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	Non-fund-based - ST-BG/LC	Simple
3	Non-fund-based - ST-Credit Exposure Limit	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CareEdge 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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