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Snow World Marine Exports Private Limited

December 27, 2024

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-term Bank Facilities	25.00	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	Reaffirmed	Simple
Short-term Bank Facilities	60.50	IVR A4+ (IVR A Four Plus)	IVR A4+ (IVR A Four Plus)	Reaffirmed	Simple
Total	85.50 (Rs. Eighty-five crore and Fifty lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The ratings assigned to the bank facilities of Snow World Marine Exports Private Limited (SWMEPL) considers the common management team and operational & financial linkages between SWMEPL and its group companies, Masterchef Exports (MCE) and Mastercraft Seafood Exports Private Limited (MSEPL). Infomerics has taken a combined view of these entities referred together as Snow World Group (SWG).

The reaffirmation of the rating assigned to the existing bank facilities of SWMEPL continues to derive comfort from its extensive experience of promoters in related industry and moderately long track record, strategic location of the business, healthy demand for Indian shrimps in the overseas market, derived comfort from Group linkages and moderate financial risk profile of the Group. These rating strengths continues to remain partially offset by its highly competitive industry which further puts pressure on margins, presence in a highly regulated industry, susceptibility to volatile shrimp prices and foreign exchange rates and working capital intensive nature of operation.

The outlook assigned on the long-term rating is Stable on the back of moderate financial risk profile coupled with satisfactory demand outlook of the respective industry.

Key Rating Sensitivities:

Upward Factors

- Sustained revenue growth coupled with improvement in profitability on a sustained basis
- Growth in cash accrual and prudent working capital management



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- Improvement in capital structure

Downward Factors

- Any decline in revenue and profit margin on a sustained basis
- Further moderation in the capital structure
- Deterioration in debt protection metrics and TOL/TNW

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of promoters in related industry and moderately long track record**

The promoters of the Group, leading by Mr. Bibhuti Bhusan Mishra and Mr. Prakash K. Mohanty have around three decades of experience in seafood related industry. Mr. Bibhuti Bhusan Mishra, a B.Tech. by qualification, has rich professional experience of more than 25 years in the seafood related industry. This apart, he is assisted by other directors/partner and a team of experienced personnel. Long experience of the promoters in seafood industry has led to the established position of the Group in Odisha. Furthermore, the Group has started its operation from 2014, thus having over a decade of long and established operational track record.

- **Strategic location of the business**

SWG's business is located in the prime aquaculture zone by the coastal line of Odisha, which enables the Group to procure raw materials and process them immediately after harvest from nearby processing units. This results in better quality product as well as lower transportation cost. SWG procures raw materials from local farmers majorly from Odisha.

- **Healthy demand for Indian shrimps in the overseas market**

Frozen shrimp remained the major export item in terms of quantity, value both while USA and China turned out to be the major importers of India's seafood. With the rise in demand for disease-free and healthy shrimps, India has become one of the largest shrimp exporters to the US and the European Union.

- **Derived comfort from Group linkages**

The Group companies have significant sales and purchase among each other. The sale of its products between the Group companies acts as a backward and forward integration to some



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extent, for which raw shrimps, aqua culture feeds and medicines, mature and processed shrimps etc. forms a raw or trading material. Further, the Group will also gain from the own processing unit from one of its Group companies- SWMEPL.

- **Moderate financial risk profile of the Group**

Financial risk profile of the Group remained moderate over the years. Total operating income of the Group has increased at a CAGR of ~69% during FY21 (refers to period April 1st, 2020, to Mar 31st, 2021) to FY24 (refers to period April 1st, 2023, to Mar 31st, 2024) on the back of increase in demand in export market during post Covid period coupled with introduction of merchant export in MCE since FY22 (refers to period April 1st, 2021, to Mar 31st, 2022) and introduction of own processing facility of SWMEPL. However, the same has decreased by ~23% to ~Rs.152 crore in FY24 over FY23 (refers to period April 1st, 2022, to Mar 31st, 2023) on account of lesser export order received by the Group. EBITDA margin has increased during FY24 and remained satisfactory. Further, to fund the working capital needs and capex for logistics infrastructure, the Group availed additional term loan and utilises higher bank borrowing which leading to increase in capital charges resulted in lower net profit margin. With the increase in debt as described above, leverage ratios marked by overall gearing ratio have deteriorated to 1.44x as on March 31, 2024. With the higher increase in interest expense compared to increase in operating profit, interest coverage ratio, though remained comfortable, has declined in FY24 to 2.27x. TOL/TNW has deteriorated marginally to 1.95x as on March 31, 2024. DSCR was adequate at 1.85x as on March 31, 2024. The current ratio was below unity as on March 31, 2024.

Key Rating Weaknesses

- **Highly competitive industry which puts pressure on margins**

The Group faces stiff competition from other domestic and international players, which can limit bargaining power with the customer. In addition to the domestic competition, the Group faces competition from countries like Ecuador, Indonesia, and Vietnam, which are major global producers of Vanna Mei shrimp. Also, the profitability of shrimp exporters is susceptible to volatile shrimp prices. It is also exposed to uncertainty related to procurement and prices, as the supply of shrimp from aqua culturists is unpredictable and depends on the demand-supply situation. Moreover, many export markets implement regulations from time to time (including anti-dumping duty, food safety regulations and quality requirements).



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- **Presence in a highly regulated industry**

Since seafood is a depleting commodity, there are strict regulations against excessive fishing and every now and then new regulations crop up across the world restricting the trade of seafood including shrimps. These regulations do restrict the growth of the seafood exporters including SWG.

- **Susceptibility to volatile shrimp prices and foreign exchange rates**

Operating profitability of shrimp exporters is susceptible to volatile shrimp prices and forex rates. The firm is also exposed to uncertainty related to procurement and prices, as the supply of shrimp from aqua culturists is unpredictable and depends on the demand-supply situation, market price, and monsoon conditions. The availability of shrimps is also impacted by possible outbreak of diseases, which could affect production.

- **Working capital intensive nature of operation**

The operation of the Snow World Group is working capital intensive as the Group needs to store its main raw materials i.e. raw shrimp, shrimp feeds and medicines etc mostly for uninterrupted production. On the other hand, it needs to maintain finished goods (frozen sea foods etc) inventory for immediate supply. The operating cycle of the Group stood at 81 days in FY24, elongated from 12 days in FY23, primarily due to elongation of collection period. Elongation of operating leads to higher utilisation of working capital limit which remained high at about 93% during the past 12 months ended on October, 2024.

Analytical Approach: Combined

For arriving at the ratings, Infomerics has combined the business and financial risk profiles of Masterchef Exports (MCE), Snow World Marine Exports Private Limited (SWMEPL), and Mastercraft Seafood Exports Private Limited (MSEPL). This is because these companies, collectively referred to as the Snow World Group (SWG), are under control of same promoters, have business and financial linkages.

(Reason for Change in Approach: The approach was standalone at the time of last review of MCE and SWMEPL. However, the same has been changed to combined approach during current review including a fresh rating of a Group company, MSEPL, on account of rising financial transaction among the Group companies coupled with common promoters and business and financial linkages).

Applicable Criteria:



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[Rating Methodology for Trading Companies](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Consolidation of Companies](#)

Liquidity – Adequate

SWG has earned a gross cash accrual of Rs. 7.89 crore in FY24. Further the Group is expected to earn a gross cash accrual in the range of ~Rs. 27.92 - 42.87 crore as against its debt repayment obligations around ~Rs.4.95- 7.62 crore during FY25-27. Accordingly, the liquidity position of the Group is expected to remain adequate with the low level of repayment obligation in the near to medium term. Further, average cash credit utilisation of the firm remained high at ~93% during the past 12 months ended October 2024 indicating low liquidity cushion.

About the Company

The flagship entity of the group is Snow World Marine Exports Private Limited (SWMEPL), incorporated in 2019 in Balasore in Odisha. SWMEPL is a merchant exporter engaged in seafood exports since inception and started export in 2021. The company procures raw shrimps from local producers based on export order and provide the raw shrimps to the various processing units in Odisha for further processing according to export order specifications. This apart, the company has set up and started operating its own processing unit with an installed capacity of 36500 MTPA in Balasore for processing of raw shrimp from September 2023.



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Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	27.91	63.74
EBITDA	1.10	7.08
PAT	0.39	1.21
Total Debt	31.47	75.59
Tangible Net Worth	61.95	67.71
EBITDA Margin (%)	3.96	11.10
PAT Margin (%)	1.38	1.89
Overall Gearing Ratio (x)	0.51	1.12
Interest Coverage (x)	2.78	2.48

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (Jan. 25, 2024)	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Term Loan	Long Term	25.00	IVR BB+/ Stable	IVR BB+/ Stable	-	-
2.	Export Packing Credit	Short Term	60.00	IVR A4+	IVR A4+	-	-
3.	CEL	Short Term	0.50	IVR A4+	IVR A4+	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration



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from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit www.infomerics.com.

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Annexure 1: Instrument/Facility Details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	Dec. 2028	25.00	IVR BB+/ Stable
Export Packing Credit	-	-	-	-	60.00	IVR A4+
CEL	-	-	-	-	0.50	IVR A4+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-SnowWorld-dec24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis:

Name of the Company	Consolidation Approach
Masterchef Exports	Full combined
Snow World Marine Exports Private Limited	Full combined
Mastercraft Seafood Exports Private Limited	Full combined

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.