



Press Release

Snow World Marine Exports Private Limited

January 25, 2024

Ratings

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

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Snow World Marine Exports Private Limited (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 offshore market and comfortable capital structure with moderate debt protection metrics. These rating strengths continues to remain partially offset by its relatively modest scale of operation and short track record, highly competitive & puts pressure on margins, presence in a highly regulated industry and susceptibility to volatile shrimp prices and foreign exchange rates.

Rating Sensitivities

Upward factors

- Sustained revenue growth coupled with improvement operating margin on a sustained basis
- Growth in cash accrual and prudent working capital management
- Improvement in leverage ratios

Downward Factors

- Any decline in revenue and profit margin on a sustained basis
- Moderation in the capital structure with overall gearing ratio moderated to over 2x
- Deterioration in debt protection metrics and Total debt/GCA.



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Detailed Description of Key Rating Drivers

Key Rating Strengths

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

Mr. Bibhuti Bhusan Mishra, director of the company and a B.Tech. by qualification, has rich professional experience of more than 25 years in the seafood industry. This apart, he is assisted by other director, Mr. Prakash K. Mohanty along with other three directors and a team of experienced personnel. The directors are also having other concern which is engaged in similar nature of business with established and proven track record. Long experience of the directors in seafood industry has led to the established position of the company in Odisha.

- **Strategic location of the business**

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

- **Healthy demand for Indian shrimps in the offshore 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. The overall export of frozen shrimps during 2021-22 was pegged at 7,28,123 MT, which fetched foreign exchange worth USD 5,828.59 million. USA, the largest market, imported (3,42,572 MT) of frozen shrimp, followed by China (1,25,667 MT), European Union (90,549 MT), Southeast Asia (44,683 MT), Japan (38,492 MT), and the Middle East (37,158 MT). Export of Frozen shrimp shown increase in all the markets by value. 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.

- **Comfortable capital structure with moderate debt protection metrics**

The capital structure of SWMEPL remained comfortable as on March 31, 2023, marked by long term debt to equity ratio stood at 0.42x whereas overall gearing remained at 0.51x as on March 31, 2023. The interest coverage ratio and debt service coverage ratio stood at 2.78x and 1.78x respectively in FY23. The operating cycle of the company stood healthy at 9 days as on March 31, 2023.



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Key Rating Weaknesses

- **Relatively modest scale of operation and short track record**

Total operating income of the company has improved at a rate of ~18% from FY22 to FY23 on the back of increase in demand coupled with increase in scale of operations where TOI has increase to ~Rs.27.91 crore in FY23 from Rs.23.69 in FY22. Further, during 7MFY24, the company has earned a TOI of ~Rs.60 crore as mentioned by the management. However, SWMEPL has set up its own processing unit in current year which leads to increase in turnover and profitability of company. The company has started its operation from FY22, thus having short track record of operation. Furthermore, the company started its production facility from September 2023, thus it may take longer stabilization period.

- **Highly competitive & puts pressure on margins**

The company faces stiff competition from other domestic and international players, which can limit bargaining power with the customer. In addition to the domestic competition, SWMEPL 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).

- **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 SWMEPL.

- **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.

Analytical Approach: Standalone



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Applicable Criteria:

[Rating Methodology for Trading Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity: Adequate

SWMEPL has earned a gross cash accrual of Rs.0.66 crore in FY23. Further the company is expected to earn a gross cash accrual in the range of ~Rs.7.04-15.14 crore as against its debt repayment obligations in the range of ~Rs.1.30 to 4.51 crore per year during FY24-26. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. Further, average cash credit utilisation of the company remained moderate at ~56% during the past 12 months ended December 2023 indicating a sufficient liquidity cushion.

About the Company

Snow World Marine Exports Private Limited (SWMEPL) was incorporated in 2019 lead by two directors, Mr. Prakash K. Mohanty and Mr. Bibhuti Bhusan Mishra, with other three directors of Balasore in Odisha. SWMEPL is a merchant exporting private limited company engaged in seafood exports since inception and started export in 2021. Being a merchant exporter, the firm does not have any own processing unit during first few years of inception. However, they procure 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 in Balasore for processing of raw shrimp from September 2023.

Currently, Mr. Bibhuti Bhusan Mishra, director along with other director Mr. Prakash K. Mohanty, director, looks after day-to-day affairs of the company along with other directors and a team of experienced personnel.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Income	23.71	27.98
EBITDA	0.47	1.10
PAT	0.29	0.39



Press Release

Total Debt	12.47	31.47
Tangible Net worth	30.53	61.95
EBITDA Margin (%)	1.97	3.96
PAT Margin (%)	1.23	1.38
Overall Gearing Ratio (x)	0.41	0.51

*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 Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Export Packing Credit	Short Term	60.00	IVR A4+	-	-	-
2	Term Loan	Long Term	25.00	IVR BB+/ Stable	-	-	-
3	CEL	Short Term	0.50	IVR A4+	-	-	-



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Name and Contact Details of the Rating Analyst:

Name: Sanmoy Lahiri Tel: (033)- 46022266 Email: slahiri@infomerics.com	Name: Sandeep Khaitan Tel: (033)- 46022266 Email: sandeep.khaitan@infomerics.com
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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 from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Details of Facilities

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

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-snowworld-jan24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.