



Press Release

Summit Marine Exports Private Limited

January 30, 2025

Ratings

Facilities	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	35.40	IVR BBB-; Stable (IVR Triple B Minus with Stable Outlook)	IVR BB+; Stable (IVR Double B Plus with Stable Outlook)	Rating Upgraded	Simple
Short Term Bank Facilities	53.08	IVR A3 (IVR A Three)	IVR A4+ (IVR A Four Plus)	Rating Upgraded	Simple
Total	88.48 (INR Eighty- eight crore forty eight 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 upgrade in the ratings assigned to the bank facilities of Summit Marine Exports Private Limited (SMEPL) is driven by improved business performance of the company in 9MFY25 [FY refers to the period from April 01 to March 31] underpinned by improved profitability driven by strategic investment in Srikanth International Private Limited (SIPL) and well supported by strong demand for Indian shrimps in the offshore market. Further, the ratings continue to derive strength from the experienced promoters with established relationship in the seafood industry and strategic location of the business with diversified customer base.

However, these rating strengths remain constrained by SMEPL's thin profit margins, leveraged capital structure with average debt protection metrics along with the exposure in its newly acquired subsidiary, SIPL. These rating strengths also remain partial offset owing to susceptibility of profitability to volatile shrimp prices, exposure to foreign exchange price fluctuation and presence in highly competitive & regulated industry.

The Stable outlook reflects expected stable business performance of the entity backed by the benefits to be driven from the newly completed own manufacturing unit, supported by resourceful and experienced promoters.



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Key Rating Sensitivities:

Upward factors

- Sustained revenue growth with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis
- Improvement in the capital structure with improvement in overall gearing to below 1.5x and rise in interest coverage ratio to over 3x.
- Improvement in working capital management with improvement in liquidity

Downward Factors

- Decline in revenue and profitability leading to deterioration in debt protection metrics on a sustained basis
- Any unplanned debt funded capex and/or substantial increase in working capital borrowings leading to impairment in capital structure with adjusted overall gearing ratio moderated to over 3.5x and/or moderation in interest coverage to below 1.5x
- Stretch in the working capital cycle driven by pile-up of inventory or stretched receivables impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths:

Experienced promoters with established relationship in the seafood industry

The promoter, Mr. Rama Raju Mantena is one of the key entrepreneurs in the aquaculture industry in and around Bhimavaram, West Godavari area. He along with the other directors have involved with the seafood industry for almost two decades. Over the years, they have developed a very healthy network of clients, which supports the business risk profile of SMEPL to an extent.

Strategic location of the business with diversified customer base

The plant is located near Bhimavaram, Andhra Pradesh on the east coast of India. The location of the plant is Elurupadu village in Kalla Mandal which is rich in aquaculture farming in and around Andhra Pradesh. Hence the plant location is ideal for purchasing, transporting, and quickly freezing harvested shrimp from farmers in the surrounding areas within 10 kms around the plant. Further, SMEPL mainly exports seafood and variety of shrimp including vanemi to various countries such as China, Vietnam, Belgium, UAE, USA, UK and other European countries which attributes ~95-97% of total revenue leading to geographical diversification.



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Stable business performance in FY24 albeit moderation in scale of operation

The export prices are dependent on the demand and supply dynamics of the industry and competitive position of India against other markets in terms of prices and volume. Global price of shrimp of big size were down by ~25% while the rates of small size had fallen by ~15% in FY24. SMEPL, being heavily dependent on export, experienced moderation in its total operating income (TOI) to ~Rs.241.39 crore in FY24 as against Rs.261.51 crore in FY23. Moreover, with dip in scale of operation EBITDA has also moderated to Rs.6.94 crore in FY24. However, gross cash accruals though moderated remained satisfactory at Rs.4.60 crore (Rs.4.79 crore in FY23). In the present fiscal, till December 2024, the entity has already churned out revenue of ~Rs.205 crore with improvement in profit margins.

Strategic acquisition to boost the profitability

Earlier, SMEPL did not have its own processing plant and had taken the plant of Srikanth International Pvt Ltd (SIPL) on lease for lease period from 1st Feb 2021 to 31st January 2027 for processing of Shrimp. During FY24, the company has acquired SIPL through NCLT Hyderabad, on 13th October 2023 at an investment cost of Rs.5.00 crore. Such acquisition coupled with completed capex for own manufacturing unit is expected to boost the profitability of SMEPL going forward.

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 global shrimp market size was estimated at USD 68.40 billion in 2022 and is projected to grow at a compound annual growth rate (CAGR) of 5.5% from 2023 to 2030. Shrimp is considered a low-fat, high-protein alternative to other meats, which makes it a popular choice. The global demand for seafood, including shrimp, is rising due to changing dietary preferences and increasing health consciousness among consumers. Export of Frozen shrimp shown increase in all the markets by value. Rising global demand for healthy seafood, coupled with India's competitive pricing and advancements in aquaculture technologies, positions the country to capitalize on this booming market, especially in key destinations like the USA, China, and the EU. In order to increase India's seafood exports, the government has proposed reducing the Basic Customs Duty (BCD) on several key inputs for shrimp and fish feed production to just 5 per cent. This move includes reductions in broodstock, polychaete worms, and various feed components.

Key Rating Weaknesses:



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Thin profit margin

Flattering global demand has hit exports and lowered shrimp price in FY24. Furthermore, till FY24 SMEPL had to process raw shrimps from third party processing unit which increased the operating costs resulted in lower EBITDA margin. SMEPL being a merchant exporter with low value addition, operated with a thin EBITDA margin of 2.88% in FY24 as compared to 3.51% in FY23. However, the PAT margin has slightly improved and stood at 1.60% in FY24 as against 1.55% in FY23. The gross cash accruals, which stood at Rs.4.60 crore in FY24 was sufficient to meet the scheduled repayment obligation. However, the profit margins are expected to improve in the near term underpinned by its recent acquisition of SIPL and completion of capex for commissioning of own plant.

Leveraged capital structure with average debt protection metrics

The capital structure of the company had remained moderate as on the past three account closing dates. During FY24, SMEPL has made fresh equity infusion of Rs.6.00 crore. Considering the strategic investment of Rs.5.00 crore in SIPL for acquisition, the adjusted net worth of the company stood moderate at Rs.35.10 crore as on March 31, 2024. Owing to the planned majorly debt funded capex to have its own processing unit, along with higher working capital utilisation, the capital structure of SMEPL has moderated in FY24 as the adjusted overall gearing stood at 3.02x as on March 31, 2024, against 1.76x as on March 31, 2023. Overall indebtedness as reflected by TOL/ATNW also moderated and stood at 3.64x as on March 31, 2023, against 2.77x as on March 31, 2022. Affected by the moderation in absolute EBITDA, the interest coverage of SMEPL though slightly moderated, continues to remain satisfactory at 1.85x in FY24 against 1.90x in FY23. Owing to the elevated debt level coupled with reduced EBITDA, Total debt to EBITDA and Total debt to GCA both remain stretched at 15.27x and 23.10 years respectively as on March 31, 2024.

Exposure to subsidiary

SMEPL has acquired SIPL through NCLT Hyderabad on 13th October 2023 and made investment of Rs.5.00 crore. Farther, as part of the resolution plan SIPL has availed fresh facilities of Rs.33.10 crore against which SMEPL has extended corporate guarantee. Considering the said corporate guaranteed debt of SIPL, the adjusted overall gearing and adjusted TOL/ATNW of SMEPL stood at 3.95x and 4.57x respectively as on March 31, 2024.

Highly competitive nature of the industry

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,



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SMEPL faces competition from countries like Ecuador, Indonesia, and Vietnam, which are major global producers of Vanna Mei shrimp.

Susceptibility to volatile shrimp prices and foreign exchange rates

Operating profitability of shrimp exporters is susceptible to volatile shrimp prices and fluctuations in forex rates. The company is also exposed to uncertainty related to procurement of shrimps 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.

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.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Criteria of assigning Rating Outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

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

[Criteria on Complexity](#)

Liquidity: Adequate

The liquidity position of the company is expected to remain adequate marked by expected adequate gross cash accruals in the range of ~Rs.7.50-10.75 crore during FY25-FY27 which is expected to be sufficient to meet its debt obligations ranging from ~Rs.6.15 crore-Rs.6.93 crore which is further supported by Government subsidy of Rs.10 crore. Moreover, the company is maintaining free fixed deposits amounting to ~Rs.6.08 crore as on December 31,2024 supporting its liquidity profile. However, the average working capital utilization of the company remained modest at ~90% indicating moderate liquidity buffer.

About the Company

Incorporated in December 2017 Mr. Rama Raju Mantena, Summit Marine Exports Pvt Ltd. (SMEPL) is a merchant exporter of seafood primarily shrimp. Presently, the company is exporting the processed and frozen Shrimp including vanemi to various countries such as



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China, USA, Vietnam, UAE, UK and other European countries to cater different requirements from customers all over the world. SMEPL is doing its Merchant Exporter Operations since December 2020.

Financials of Summit Marine Exports Private Limited (Standalone): (Rs. crore)

For the year ended* / As On	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	261.51	241.39
EBITDA	9.18	6.94
PAT	4.09	3.90
Total Debt	53.18	105.99
Tangible Net worth	30.19	40.10
Tangible Net worth (Adjusted)	30.19	35.10
EBITDA Margin (%)	3.51	2.88
PAT Margin (%)	1.55	1.60
Overall Gearing Ratio (x) (Adjusted)	1.76	3.02
Interest Coverage	1.90	1.85

*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 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Cr.)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Nov 07, 2023	-	-
1.	Term Loan	Long Term	32.72	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-
2.	GECL	Long Term	2.68	IVR BBB-/ Stable	IVR A4+	-	-
3.	Packing Credit & Bill Discounting	Short Term	45.00	IVR A3	IVR A4+	-	-
4.	Secured Overdraft	Short Term	7.58	IVR A3	IVR A4+	-	-
5.	Bank Guarantee	Short Term	0.50	IVR A3	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 from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

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Annexure 1: Instrument/Facility Details

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Cr)	Rating Assigned/ Outlook
Long Term Fund Based Limits – Term Loan	-	-	Nov 2032	32.72	IVR BBB-/ Stable
Long Term Fund Based Limits – GECL	-	-	May 2027	2.68	IVR BBB-/ Stable
Short Term Fund Based Limits – Packing Credit & Bill Discounting	-	-	-	45.00	IVR A3
Short Term Fund Based Limits – Secured Overdraft	-	-	-	7.58	IVR A3
Short Term Non-Fund Based Limits – Bank Guarantee	-	-	-	0.50	IVR A3

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-summit-marine-jan25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities:

Not Applicable

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