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Nila Sea Foods Exports

March 28, 2025

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Short Term Bank Facilities	93.00	IVR A4 (IVR A Four)	IVR A4 (IVR A Four)	Reaffirmed	Simple
Total	93.00 (Rupees Ninety-three crore 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

Infomerics Ratings has reaffirmed rating assigned to the bank facilities of Nila Sea Foods Exports on account of robust demand for Indian shrimps in global markets, a well-established clientele, long-term supplier relationships, and experienced partners in the seafood industry. However, the rating is constrained by several challenges, including the highly competitive nature of the industry, which impacts margins, considerable unhedged exposure to foreign exchange fluctuations, a notable decline in revenue and profitability in FY24, a moderate capital structure and debt protection metrics, and the working capital-intensive nature of its operations.

Key Rating Sensitivities:

Upward Factors

- Substantial growth in revenue around 15% on a sustained basis, resulting in higher-than expected cash accruals.
- Improvement in EBITDA margin to more than 8% on a sustained basis
- Improvement in overall gearing ratio below unity on a sustained basis
- Prudent working capital management to improve liquidity profile and debt coverage metrics on a sustained basis

Downward Factors

- Deterioration in revenue and profitability resulting in lower-than-expected cash accruals
- Stretch in working capital cycle leading to deterioration of liquidity position



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- Any debt funded capex leading to deterioration in the debt protection parameters and/or the liquidity position of the firm

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Healthy demand for Indian shrimps in the offshore market

Frozen shrimp remained the major export item in terms of quantity and value both while USA and China turned out to be the major importers of India's seafood. NSFE reported sales of Rs. 96.21 crore in FY24, declining from Rs.161.48 crore in FY23. The firm reported revenue of Rs. 91.35 crore in 9MFY25. Export of Frozen shrimp shown increase in all the markets by value in FY24 and current year. 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. The US has currently imposed Anti-dumping duty and Countervailing duty totalling 7.59% on shrimp imports from India. Indian companies will have to reduce prices to the same extent to remain competitive in the US market. However, the demand from the US market continues to be strong.

Reputed clientele and suppliers with long standing relationship

The firm has long and satisfactory relationships with key customers Conexus Food Solutions, Ontario Limited Canada, Darik Enterprises USA and so on. The firm has a diversified base of suppliers with whom it is dealing since inception. The client base is distributed over countries such as USA, China, Japan, Hongkong, UK, Canada, Germany.

Experienced partners in the seafood business

The group was established in the year 1992 by the late Mr. D. Chandran. At present it is run under the leadership of his family members, i.e., Mrs. Nilavathi C, Mr. Selwin Prabhu and Mr. Aminath Prabu. The promoter family has more than three decades of experience in the seafood business, which has aided in understanding the changing dynamics of the industry and establishing a strong relationship with customers and suppliers. NSFE has set up a full-fledged procurement team headed by the partners themselves and supported by a team with more than 25 years of experience in the field.



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Key Rating Weaknesses

Presence in a highly competitive industry which puts pressure on its margins

NSFE faces stiff competition from other domestic and international players, which can limit bargaining power with the customers. In addition to the domestic competition, NSFE faces competition from countries like Ecuador, Indonesia, and Vietnam, which are major global producers of Vannamei 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). The company is located in Pattukottai in Tamil Nadu and although located close to shrimp farms it still faces a disadvantage when compared to shrimp exporters located in coastal Andhra Pradesh where the shrimp industry is far more developed. The company has to source raw materials from Nellore upto Orissa border in insulated vans incurring cost of Rs. 25- 29 per kg for transport. Historically the government used to provide 12 to 15% export incentive which has now reduced to around 7% thereby impacting company's margins.

Large unhedged exposure to foreign exchange rates

Traditionally, the company derives its entire revenue from exports. In FY24 ~99% of the revenue was from exports, which has been partially hedged in the past. Even as on date, the company has booked forward cover on USD to the extent of around Rs.6.38 crores (USD 750,000) and has unhedged foreign currency exposure was Rs. 5.66 crores (at March 21,2025).

Significant Decrease in Revenue and Profitability

The total operating income of the company significantly declined to Rs. 96.21 crore in FY24 from Rs. 161.48 crore in FY23. The absolute EBITDA and PAT also decreased to Rs. 6.23 crore (FY23: Rs. 6.91 crore) and Rs. 0.36 crore (FY23: Rs. 0.88 crore) in FY24 respectively. FY24 revenues of the firm has been impacted due to increased supply of cultured shrimps from Ecuador to USA leading to loss of market share for Indian suppliers. Labour cost in Ecuador is competitive and the freight cost from Ecuador to US is much



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lower than freight cost from India to US. Due to decline in revenue the EBITDA as well as the PAT has declined.

Moderate capital structure and debt protection metrics

The financial risk profile of the group is marked by moderate capital structure and moderate debt protection metrics. The overall gearing ratio and TOL/TNW were at 1.92x and 2.09x respectively as on March 31, 2024, as against 1.91x and 2.22x respectively as on March 31, 2023, primarily due to slight increase in the total debt. The total debt increased to Rs. 54.39 crore as on March 31, 2024, from Rs. 53.46 crore as on March 31, 2023 due to the net impact of increase in bank borrowings and decreases in bill discounted. The tangible net worth of the company was Rs. 28.29 crore as on March 31, 2024, which increased from Rs. 27.92 crore as on March 31, 2023, the growth in net worth is on account of accruals of profit to the reserves of the company. Further, the interest coverage ratio was adequate at 1.62x in FY24 as against 1.99x in FY23. However total debt to GCA ratio deteriorated and was high at 25.83x in FY24 against 18.50x in FY23. The debt entirely comprises of working capital borrowings.

Working capital intensive nature of operations

NSFE operates in working capital intensive nature of business and has to maintain high inventory levels. On an average the firm maintains inventory of 3- 4 months but it was high at the end of FY 24 at 199 days due to inability to ship certain orders in March 24. It has a policy of extending credit of up to 90 days to its customers and gets up to 15 days credit from its suppliers. Accordingly, its average inventory period was 199 days, average collection period was 73 days while average creditor period was 12 days in FY24 as against inventory period of 83 days, average collection period of 41 days and average creditor period of 6 days in FY23. The elongated operating cycle is normally funded through its working capital limits. The average working capital utilization of the fund-based limits was 63.14% during the 12 months ended November, 2024.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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



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[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

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

Liquidity –Adequate

The liquidity remains adequate marked by gross cash accruals of Rs. 2.11 crore in FY24. Further, the average working capital utilization of company was 63.14% during the 12 months ended November,2024 indicating limited liquidity buffer. The current ratio stood at 1.29x as on March 31, 2024, as against 1.24x as on March 31, 2023. The company does not have any term loans on the books. The company has a cash & bank balance of Rs. 0.17 crore as on November 30,2024.

About the Firm

Tamil-Nadu based, NSFE is a part of the Nila group founded by Late Mr. D. Chandran and his family. It was established in 2010 as a partnership firm and is currently managed by Mrs. Nilavathi C, Mr. Selwin Prabhu C and Mr. Aminath Prabu Emmanuvel. NSFE is engaged in processing and exporting of cultured shrimps to various countries in the world like U.S.A., Japan, Canada, China, UAE, UK, Vietnam, Belgium etc. It has an integrated plant with facilities for Block and IQF freezing. The factory is situated at Pattukottai, Thanjavur District with a capacity to process 12 metric tonne per day of shrimps. The average capacity utilization was around 40% in FY24.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	161.48	96.21
EBITDA	6.91	6.23
PAT	0.88	0.36
Total Debt	53.46	54.39
Tangible Net Worth	27.92	28.29
EBITDA Margin (%)	4.28	6.47
PAT Margin (%)	0.54	0.37
Overall Gearing Ratio (x)	1.91	1.92
Interest Coverage (x)	1.99	1.62

* Classification as per Infomerics' standards.



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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	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
				March 28, 2025	(January 31, 2024)	(December 22, 2022)	(December 31, 2021)
1.	Packing Credit / Packing Credit in Foreign Currency	Short Term	50.00	IVR A4	IVR A4	IVR A4+	IVR A4+
2.	Foreign Bill Purchased	Short Term	43.00	IVR A4	IVR A4	IVR A4+	IVR A4+
3.	Term Loan	Long Term	0.00	-	-	Withdrawn	IVR BB+ / Stable

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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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).

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.



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

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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
Packing Credit / Packing Credit in Foreign Currency	-	-	-	-	50.00	IVR A4
Foreign Bill Purchased	-	-	-	-	43.00	IVR A4

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-nilasea-mar25.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.