Press Release
The Waterbase Limited

Facilities	Amount (₹ crore)	Ratings[1]	Rating Action
Long-term / Short-term bank facilities	93.81	CARE BBB; Stable / CARE A3+	Reaffirmed
Short-term bank facilities	5.03	CARE A3+	Reaffirmed

Details of facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of The Waterbase Limited (TWL) continue to derive strength from the experience of its promoters with the company's long track record of operations in the shrimp feed industry and it being a part of the Karam Chand Thapar (KCT) group. Ratings also factor the partially integrated nature of its operations with an established brand presence and marketing network, and the company's comfortable capital structure. Additionally, ratings also take cognisance of initiatives taken by the company for diversification of its revenue by venturing in processing shrimps on their own instead of third-party processing, farm care products and frozen sea food, contributing to gradual increase in the total operating income (TOI).

However, ratings continue to remain constrained considering the sustained decline in the company's operational performance marked by lower capacity utilisation (CU) of the shrimp feed unit and continuous decline in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin in the last few years with cash loss reported in FY24 (refers to April 01 to March 31) and H1FY25. Ratings further continue to remain constrained by the exposure to raw material price volatility, geographical concentration of revenue and risks inherent to the seafood industry, and working capital-intensive nature of operations, although there was recovery of its outstanding receivables from Gujarat region .

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability to sustain scale of operations along with improvement in profitability with PBILDT margin above 6% and return on capital employed (ROCE) of 8% on a sustained basis.
- Ability to maintain its healthy leverage while sustaining improvement in operating cycle at less than 90 days.

Negative factors

- Continued losses resulting in further deterioration in debt coverage indicators and liquidity profile.
- Any major debt funded capex resulting in deterioration in capital structure and debt coverage indicators marked by total debt to gross cash accrual (TD/GCA) beyond 4.00x on a sustained basis.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook assigned to TWL's long-term rating considers the company's strong leverage position with expectation of improvement in TOI and profitability in the medium term and availability of need-based support from the KCT group.

Detailed description of key rating drivers:

Key strengths

Experienced promoters with long track record in the shrimp feed industry

TWL has long track record of over three decades in the shrimp feed industry. It is part of the KCT group which is spearheaded by Vikramaditya Thapar and his son, Varun Aditya Thapar. Vikramaditya Thapar has been in the shrimp feed industry for almost three decades and thus has long experience in the seafood business. The promoter group is well supported by experienced personnel. KCT group has interests in sectors ranging from coal logistics, real estate and aquaculture.

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

Partially integrated operations with strong brand and established marketing network

TWL is predominantly a shrimp feed manufacturer with a processing facility for shrimp. The company has increased its integration and presence in the value chain post commencement of hatchery with 250 million post larvae capacity from October 2018. The company sells shrimp feeds under the brand *Bay White-Advanced, Maximy, Tiger XL and Vanamax*. It sells shrimp feeds of high quality, freshness, appropriate calorific value and rich in nutrients through an established network of over 164 dealers primarily in the country's coastal areas. TWL enjoys long-standing relationship with its network of dealers with top 10 dealers contributing ~26% sales in FY24 and ~30% sales in H1FY25.

Diversification into farm care products and frozen sea food

TWL had diversified its product offering through launch of its farm care range of products under the brand name *Baylife,* and frozen sea food products (processed shrimps and pasteurised crab meat) under the brand *Prize Catch*. Contribution from farm care, processing and hatchery business improved to ~40%-42% of TOI in FY24 and H1FY25 against 17% in FY23. With modification and renovations in its processing unit, CARE Ratings expects the TOI to increase in the medium term.

Comfortable capital structure and debt protection metrics

The company continues to have nil term debt outstanding as on March 31, 2024, with nominal amount of lease liabilities and working capital borrowings to fund its elongated operating cycle.
Recovery of receivables from Gujarat supported lower working capital utilisation in FY24, which also supported improvement of overall gearing to 0.15x as on March 31, 2024, against 0.21x as on March 31, 2023.
Interest coverage ratio and TD/GCA deteriorated in FY24 because of operating losses and cash losses. With adequate free liquidity available with the company to meet its envisaged capital expenditure and working capital requirements, TWL's capital structure is expected to remain comfortable over the medium-term.

Stable growth prospects of aquaculture industry

The supply of wild catch is expected to remain stagnant and the incremental supply is expected to come from aquaculture. Consequently, the Indian seafood industry is expected to grow with growth in global demand. Frozen shrimp continues to be the major export item in terms of quantity and value. The shrimp exports have been increasing with adoption of Vannamei culture in India which has stocking density of three to four times over Black Tiger species/higher yield and lower cost of production leading to higher demand for same. Seafood industry is exposed to intense competition, as there are several small and few large players. Indian exporters have also been facing competition from countries such as Ecuador which have logistical advantage given its proximity to the US. Seafood export segment is marked by stringent regulations and quality requirements. Many export destinations such as the US, Japan and European countries implement timely regulations (including anti-dumping duty, food safety regulations, and quality requirements) that need to be complied with. Indian shrimp industry is expected to gain better global market share going forward, considering Government of India's initiatives undertaken to improve product quality, and productivity, reducing wastages and rejections through improved infrastructure such as cold storage chain, and presence of testing laboratories, among others. The Indian aqua business is poised to grow and hence the aqua feed business is expected to benefit in the long term.

Liquidity: Adequate

TWL had adequate liquidity in the form of free cash and cash equivalents of ₹6.51 crore as on September 30, 2024. The company does not have term debt on its books and low working capital limit utilisation. The average working capital limit utilisation for the last 12 months ended November 30, 2024, was ~26% which provides cushion to its liquidity. The company has established a cold storage unit of ~1000 tonnes volume for processed shrimps near its plant in the current year, which commenced in November 2024. The project's cost was ~₹6.50 crore, funded entirely out of its internal accruals.

Key weaknesses

Sustained decline in profitability over the years with cash losses in FY24 and H1FY25

The CU of TWL's shrimp feed unit (which is the major contributor to revenue) decreased to 20.45% in FY24 (26.37% in FY23) and further to 14.23% in H1FY25. While the TOI increased to ₹339.25 crore in FY24 from ₹304.07 crore in FY23, this was mainly due to increase in processing shrimp sales (driven by increase in volume of exports) revenue which made up for the decrease in shrimp feed sales. The reduction in volume sale in Gujarat was mainly to mitigate increase in long standing debtors. PBILDT margin moderated to -1.12% in FY24 against 1.33% in FY23 due to significant increase in input prices with limited immediate pass through available. This and relatively lower margins in the processing sales segment and losses in shrimp feeds segment, kept the overall profitability under stress in FY24. Its operating profitability has generally shown a declining trend from FY21 onwards with cash losses reported in FY24 and cash losses expanded in H1FY25.

In H1FY25, TOI was lower than H1FY24 by ~32% with decline in sales volume of feeds and processed shrimp. The volume of feed sales dipped considering weak demand, low farmgate prices, further exacerbated by sporadic disease outbreak. While, in the shrimp processing business, the company encountered setbacks due to labour shortage and lower international prices in the first half. Apart from the impact of lower sales, profitability continued to remain impacted due to high input prices and inability to take price hikes to pass on the same.
The processing unit is expected to start contributing more to revenue from Q3FY25 onwards. However, on an overall basis, the profitability margins are expected to remain under pressure in FY25.

Working capital intensive operations
The company's operations are working capital intensive considering credit period offered to dealers and stocking of raw materials (depending on prevailing market prices). There was slight deterioration in operating cycle in FY24 to 112 days (108 days in FY23) because of decrease in average creditors period. However, the company has recovered its receivables from Gujarat region in FY24 and reduced its outstanding debtors to ₹42.55 crore as on March 31, 2024, against ₹86.63 crore as on March 31, 2023.
In H1FY25, the operating cycle deteriorated slightly to 115 days because of lower creditors. The receivables increased slightly as on September 30, 2024, because of increase in debtors in processed shrimp sector.
The company has tightened its credit norms and is focussing on increasing the cash sales, due to which sales volumes have been impacted over the last few years. Also, the company has decreased its sales in Gujarat in FY24 and H1FY25, due to long pending debtors in the past.

Volatility in raw material prices
The cost of raw materials constitutes major portion of cost of sales (~74% in FY24 against ~75% in FY23) of the company. The major raw materials are agro products such as soya, wheat flour and fish meal. Other raw materials include fish oil, mono-calcium phosphate, minerals, Vitamin C, and binders, among others. Since availability of major raw materials is seasonal and depends on climatic conditions, the raw material costs are volatile. The company has limited ability to pass on the increase in raw material prices. There has been significant increase in the prices of soya and fish meal in the past few years and the the company's profitability has been impacted due to this. Also, there have been net losses in FY24 and FY23 despite steady increase in sales since FY22.

Geographical concentration risk in an intensively fragmented and competitive market
The feed industry is driven by regional demand and supply because of transportation constraints and perishable products. The geographical concentration of TWL's sales increased in FY24 against FY23, and further in H1FY25, with revenue contribution from Andhra Pradesh increasing due to lower sales in Gujarat considering the company's strategy of curtailing its sales to Gujarat dealers with which large receivables were due and now supplying to them only on receipt of prior dues. The company has lower presence in other geographies such as Tamil Nadu, West Bengal, Karnataka, Kerala and Odisha. Low capital intensity and low entry barriers facilitate entry of unorganised players, leading to high competition and fragmentation. Though the organised market is dominated by few major players in the shrimp feed segment, the higher capacity in the industry compared to demand leads to intense competition.

Risks inherent in the seafood industry
The main threat to shrimp industry is from outbreak of diseases. The Indian shrimp exports industry is highly fragmented given the low entry barriers and significant competition in the export market from other competing countries and threat from other seafood varieties. Government policies keep varying depending on other macroeconomic factors such as anti-dumping duties, and inflation among others which increase expenses of the companies operating on the seafood industry. The prospects of shrimp feed business remain linked to the shrimp industry's performance.

Environment, social, and governance (ESG) risks
The company ensures better farm management practices through good pond preparation, quality seed selection, water quality management, feed management, health monitoring, pond bottom monitoring, disease management, emergency harvest, harvest and post-harvest, food safety and environmental awareness that has prevented shrimp disease outbreaks.
The company incurred CSR expenses of ₹0.06 crore in FY24 aligned with its CSR obligations per Companies Act, 2013.
The company is managed by professional board of directors who have extensive experience in the industry. The board comprises six directors including two women directors.

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](#)

About the company and industry

Industry classification

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

TWL was incorporated in November 1987 as Thapar Waterbase Limited and commenced commercial operation in 1993. It is promoted by the KCT Group with Varun Aditya Thapar as the company's chairman. TWL is a partially integrated aquaculture entity, consisting of a feed plant having an installed capacity of 110,000 metric tonne per annum (MTPA), a shrimp hatchery of 250 mn post larvae and a shrimp processing plant with an aggregate capacity of 5,000 MTPA (increased from 4,000 MTPA in September 2022), all at Nellore, Andhra Pradesh. The shrimp feed mill produces high-quality shrimp feed for both brackish and fresh-water shrimp farming. As a part of its integrated activities, the company works closely with its farmers by providing them quality inputs such as feed and other farming inputs, post larvae and buying shrimps directly from their farms. TWL also has a cold storage facility capable of storing 1300 MT of finished products.

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)	H1FY25 (UA)
Total operating income	304.08	339.25	134.54
PBILDT	4.05	-3.80	-10.24
PAT	-3.47	-10.44	-8.81
Overall gearing (times)	0.21	0.15	0.06
Interest coverage (times)	1.92	NM	NM

A: Audited UA: Unaudited NM: Not Meaningful; 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 facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of facilities

Name of the Facilities	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Cash Credit		-	-	-	66.00	CARE BBB; Stable / CARE A3+
Fund-based - LT/ ST-CC/PC/Bill Discounting		-	-	-	13.00	CARE BBB; Stable / CARE A3+
Non-fund-based - LT/ ST-Letter of credit		-	-	-	14.81	CARE BBB; Stable / CARE A3+
Non-fund-based - ST-BG/LC		-	-	-	5.00	CARE A3+
Non-fund-based - ST-Forward Contract		-	-	-	0.03	CARE A3+

Annexure-2: Rating history for last three years

Sr. No.	Name of the Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	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	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-Cash Credit	LT/ST	66.00	CARE BBB; Stable / CARE A3+	1)CARE BBB; Stable / CARE A3+ (22-Aug-24)	1)CARE BBB+; Stable / CARE A2 (06-Dec-23)	1)CARE BBB+; Stable / CARE A2 (08-Sep-22)	1)CARE A-; Stable / CARE A2+ (06-Oct-21)
2	Non-fund-based - ST-BG/LC	ST	5.00	CARE A3+	1)CARE A3+ (22-Aug-24)	1)CARE A2 (06-Dec-23)	1)CARE A2 (08-Sep-22)	1)CARE A-; Stable / CARE A2+ (06-Oct-21)
3	Fund-based - LT/ ST-CC/PC/Bill Discounting	LT/ST	13.00	CARE BBB; Stable / CARE A3+	1)CARE BBB; Stable / CARE A3+ (22-Aug-24)	1)CARE BBB+; Stable / CARE A2 (06-Dec-23)	1)CARE BBB+; Stable / CARE A2 (08-Sep-22)	1)CARE A-; Stable / CARE A2+ (06-Oct-21)
4	Non-fund-based - ST-Forward Contract	ST	0.03	CARE A3+	1)CARE A3+ (22-Aug-24)	1)CARE A2 (06-Dec-23)	1)CARE A2 (08-Sep-22)	1)CARE A2+ (06-Oct-21)
5	Non-fund-based - LT/ ST-Letter of credit	LT/ST	14.81	CARE BBB; Stable / CARE A3+	1)CARE BBB; Stable / CARE A3+ (22-Aug-24)	1)CARE BBB+; Stable / CARE A2 (06-Dec-23)	1)CARE BBB+; Stable / CARE A2 (08-Sep-22)	1)CARE A-; Stable / CARE A2+ (06-Oct-21)

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-Cash Credit	Simple
2	Fund-based - LT/ ST-CC/PC/Bill Discounting	Simple
3	Non-fund-based - LT/ ST-Letter of credit	Simple
4	Non-fund-based - ST-BG/LC	Simple
5	Non-fund-based - ST-Forward Contract	Simple

Annexure-5: Lender details

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

Note on complexity levels of rated instruments: CARE 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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