



09th April, 2018

Corporate Relationship Department
BSE Limited
Floor 25, P.J.Towers,
Dalal Street,
Mumbai 400001
Fax No. 22723121
Ref: Security Code : 523660

Dear Sirs,

Sub : Intimation of Revision in rating under the SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015

Pursuant to Regulations 30 (6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR"), we would like to inform you that CARE Ratings Limited ("CARE") have informed the following revision in credit ratings for bank facilities of the Company

Type of Credit Rating	Existing	Revised
Long term Bank facilities	CARE "BBB" stable	CARE "A-" stable
Short term Bank facilities	CARE "A3+"	CARE "A2"

The report from credit rating agency covering rationale for revision in credit rating is enclosed.

Kindly acknowledge the receipt and take the same on record.

Thanking You,

For **The Waterbase Limited**

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SURESHKUMA
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R SURESHKUMAR
Date: 2018.04.09
16:51:48 +05'30'

R.Sureshkumar
Chief Financial Officer & Compliance officer

The Waterbase Limited

April 4, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	111.97 (enhanced from 42.75)	CARE A-; Stable (Single A Minus; Outlook: Stable)	Revised from CARE BBB; Stable (Triple B; Outlook: Stable)
Short term Bank Facilities	43.78 (enhanced from 38.98)	CARE A2 (A Two)	Revised from CARE A3+ (A Three Plus)
Total	155.75 (Rs. One Hundred Fifty Five Crore and Seventy Five Lakh only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings assigned to The Waterbase Limited (TWL) takes into account the considerable improvement in the financial performance of the company in 9MFY18 (refers to the period April 01 to December 31) marked by significant improvement in profitability margin and reduction in debt levels. The ratings also take note of the merger of Pinnae Feeds Limited (PFL) with TWL with appointed date of August 1, 2015.

The ratings continue to draw strength from experience of the promoters with long track record, the company being part of the Karam Chand Thapar (KCT) Group, strong brand & established marketing network and diversification into farm care products & frozen sea food.

The ratings are, however, constrained by the project implementation risk, exposure to volatility in raw material prices, geographical concentration risk and risks inherent in the seafood industry.

Ability of the company to increase scale of operations with sustainability in profitability while maintaining the capital structure would remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoters with long track record

TWL is promoted by the Karam Chand Thapar (KCT) Group, a diversified portfolio of businesses with interests in sectors ranging from coal logistics, infrastructure, real estate and manufacturing.

The company is spearheaded by Mr. Vikramaditya Thapar, Chairman. Mr. Thapar has been in the shrimp feed industry for almost three decades and thus has long experience in the seafood business.

Strong brand and established network

The company sells shrimp feeds under the brand 'Bay White- Enriched', 'Ulta XL', 'Tiger Bay XL' and 'Magnum'. It sells various shrimp feeds that are of high quality, freshness, appropriate calorific value and rich in nutrients through an established network of more than 170 dealers primarily in the coastal areas.

Considerable improvement in profitability during 9MFY18

The total operating income of the company increased by about 7% from Rs.300.14 crore in FY16 to Rs.321.94 crore in FY17. The PBILDT margin of the company remained relatively stable in FY17. However, the PAT margin improved significantly from 0.72% in FY16 to 3.58% in FY17. The profitability in FY16 was subdued mainly on account of inventory loss due to floods. With stabilisation of operations, PAT and GCA improved in FY17.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

During 9MFY18 (Prov.) though the company's total operating income increased only by about 5%, there was substantial improvement in profitability. The PBILDT margin improved from 9.30% in 9MFY17 to 18.10% in 9MFY18 on account of significant decline in cost of raw materials. With improvement in operating profit and lower capital charges, the PAT margin also improved from 3.31% in 9MFY17 to 9.88% in 9MFY18. The company reported PAT of Rs.27.41 crore on total operating income of Rs.277.47 crore in 9MFY18 vis-à-vis PAT of Rs.8.73 crore on total operating income of Rs.263.71 crore in 9MFY17.

Improvement in capital structure and debt protection metrics

The debt equity ratio improved from 0.24x as on March 31, 2016 to 0.17x as on March 31, 2017 with repayment of term debt obligations. The overall gearing ratio, though increased marginally, stood comfortable at 0.54x as on March 31, 2017 as compared to 0.47x as on March 31, 2016.

The interest coverage ratio was comfortable at 3.56x in FY17. The total debt to GCA improved and stood at 3.56x in FY17 as compared to 8.39x in FY16 with higher cash accruals during the year.

Further, the debt level as on Dec.31, 2017 reduced significantly with reduction on working capital borrowings. Going forward, CARE expects the peak overall gearing to remain at 0.29x in the medium term. The interest coverage improved to 14.51x in 9MFY18.

Launch of farm care products and frozen sea food

TWL has diversified its product offering by launch of the farm care range of products under the brand name 'Baylife' in H1FY17 and frozen sea food products (processed shrimps and pasteurized crab meat) under the brand 'Price Catch' in Q3FY18.

Diversification in region-wise revenue profile in an intensely competitive and fragmented market

The revenue concentration risk of TWL moderated in FY17 vis-à-vis FY16, with revenue contribution of around 53% from Andhra Pradesh, around 37% from Gujarat, Maharashtra and Goa, and remaining from other states.

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. All the major shrimp farming states in the country have increased their production in the last 2 years with Andhra Pradesh being the largest producer. Frozen shrimp continued to be the major export item in the export basket 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.

Key Rating Weaknesses

Project Implementation Risk

In order to diversify its revenue stream along with making it an integrated aquaculture plant, TWL is setting up 500 million post larvae (baby shrimps) hatchery in in two phases comprising of two modules of 250 million each. The first phase is nearing completion and is expected to be commissioned in May'2018. The total cost for phase one is Rs.14.88 crore of which the company has already incurred Rs.8.50 crore. The company has already received the term loan sanction of Rs.10.50 crore which is being utilised for Phase One. The phase two would be implemented post completion of phase one at a cost of about Rs.9.50 crore.

Volatility in raw material prices

The major raw materials are agro products like Soya, wheat flour and fish meal. Other raw materials are fish oil, Squid Meal, Molasses yeast, Mono-calcium Phosphate, Minerals, Vitamin C, Binders etc. Except additives, vitamins and minerals the other raw materials are purchased at prevailing market price. Since the raw material availability is seasonal in nature and dependent on climatic conditions, the raw material costs are volatile in nature.

Risks inherent in the seafood industry

The main threat to the industry is from diseases. Further, 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. Moreover, government policies keep varying depending upon other macro-economic factors like Anti-dumping duties, inflation etc. which increase the expenses of the companies operating on the seafood industry. The anti-dumping duty (ADD) rates are revised every year by US authorities.

Analytical approach: Standalone. CARE had earlier taken a combined view on TWL and PFL. However, post the amalgamation with appointment date of August 1, 2015 the financials for prior period has been reinstated. Hence, a standalone view of TWL is now being taken.

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings

CARE's Policy on Default Recognition

Financial ratios – Non-Financial Sector

CARE's methodology for manufacturing companies

Criteria for Short Term Instruments

About the Company

TWL was incorporated in November 23, 1987 as Thapar Waterbase Limited and commenced commercial operation in 1993 while the name got changed to present one in February 1992. It is promoted by the KCT Group with Mr. Vikramaditya Mohan Thapar as the Chairman of the Company.

TWL is a partially integrated aquaculture entity, consisting of a feed plant having an installed capacity of 1,10,000 MTPA (increased from 35,000 mtpa after merger of PFL), a shrimp farm and a shrimp processing plant with an aggregate capacity of 4000 MTPA, all located at Nellore, Andhra Pradesh spread in an area of 50 acres. TWL also has cold storage facility capable of storing 750 MT of finished products. TWL's shrimp processing quality assurance lab is accredited with European Union Approval (No. 937), HACCP certification, BAP certification and EIC approval.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	300.14	321.94
PBILDT	29.75	30.58
PAT	2.17	11.57
Overall gearing (times)	0.47	0.54
Interest coverage (times)	6.99	3.56

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	58.86	CARE A-; Stable
Non-fund-based - ST-Letter of credit	-	-	-	37.75	CARE A2
Non-fund-based - LT-Bank Guarantees	-	-	-	2.55	CARE A-; Stable
Fund-based - LT-Packing Credit in Indian rupee	-	-	-	10.00	CARE A-; Stable
Fund/Non-fund-based - ST-Bills Discounting / Bills Purchasing	-	-	-	4.00	CARE A2
Non-fund-based - ST-Forward Contract	-	-	-	2.03	CARE A2
Fund-based - LT-Term Loan	-	-	December 23	25.75	CARE A-; Stable
Non-fund-based - LT-Letter of credit	-	-	-	14.81	CARE A-; Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	58.86	CARE A-; Stable	-	1)CARE BBB; Stable (09-Mar-17) 2)CARE BBB- (08-Jul-16) 3)CARE BBB- (15-Jun-16)	-	-
2.	Non-fund-based - ST-Letter of credit	ST	37.75	CARE A2	-	1)CARE A3+ (09-Mar-17) 2)CARE A3 (08-Jul-16) 3)CARE A3 (15-Jun-16)	-	-
3.	Non-fund-based - LT-Bank Guarantees	LT	2.55	CARE A-; Stable	-	1)CARE BBB; Stable (09-Mar-17) 2)CARE BBB- (08-Jul-16)	-	-

						3)CARE BBB- (15-Jun-16)		
4.	Fund-based - LT-Packing Credit in Indian rupee	LT	10.00	CARE A-; Stable	-	1)CARE BBB; Stable (09-Mar-17) 2)CARE BBB- (08-Jul-16)	-	-
5.	Fund/Non-fund-based - ST-Bills Discounting / Bills Purchasing	ST	4.00	CARE A2	-	1)CARE A3+ (09-Mar-17) 2)CARE A3 (08-Jul-16)	-	-
6.	Non-fund-based - ST-Forward Contract	ST	2.03	CARE A2	-	1)CARE A3+ (09-Mar-17) 2)CARE A3 (08-Jul-16)	-	-
7.	Fund-based - LT-Term Loan	LT	25.75	CARE A-; Stable	-	1)CARE BBB; Stable (09-Mar-17)	-	-
8.	Non-fund-based - LT-Letter of credit	LT	14.81	CARE A-; Stable	-	-	-	-

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