

Zeal Aqua Limited (ZAL)

Zeal Aqua Limited: Reaffirmed

Facility	Amount (Rs Crore)	Rating/Outlook
Cash Credit	45.00	SMERA BB/Stable (Reaffirmed)

SMERA has reaffirmed the long-term rating of '**SMERA BB**' (**read as SMERA double B**) on the above mentioned bank facility of Zeal Aqua Limited (ZAL). The outlook is '**Stable**'.

The rating is supported by the company's experienced management, average financial risk profile and healthy business risk profile. However, the rating is constrained by the company's exposure to the highly competitive and fragmented aquaculture industry, risk of changes in climatic conditions and project execution risk.

Update

The financial risk profile of ZAL continues to remain average in FY2016 marked by moderate net worth of Rs.27.20 crore as on 31st March 2016 as compared to Rs.19.41 as on 31st March 2015. The debt equity ratio stood at 1.17 times as on 31st March 2016 as compared to 2.00 times as on 31st March, 2015. The Interest coverage indicators have marginally declined to 2.02 times for FY2016 from 2.52 times for FY2015. As per FY2015-16 financials, the operating margin stood at 7.48 percent as compared to 6.09 percent in FY2014-15. There is a marginal decline in PAT margin in FY2015-16 which stood at 1.58 percent as compare to 1.79 percent in FY2014-15.

ZAL has been managing its working capital cycle efficiently at around 68 days. The creditor days continues to remain stable at two and debtor days has been increased to 83 in FY2016 from 48 days in FY2015. As per FY2016, revenue declined to Rs.121.29 crore from Rs.171.34 crore in FY2015 on account of decline in the price of shrimps and environmental conditions which affect shrimp production.

ZAL has exposure to risks inherent in the seafood industry like susceptibility to diseases, climate change risks and government policies. However, the company benefits from its experienced management. Mr. Pradip R Navik, Mr. Shantilal Patel and Mr. Rohan Navik have over 15 years of experience in shrimp farming.

Rating Sensitivity Factors

- Debt funded capex plan
- Sustained improvement and profitability

Outlook: Stable

SMERA believes that the outlook on ZAL will remain '**Stable**' over the medium term on account of its experienced management. The outlook may be revised to '**Positive**' in case of further improvement in the company's scale of operations, while maintaining profitability and efficient working capital management. Conversely, the outlook may be revised to '**Negative**' in case of deterioration in the financial profile.

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Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

ZAL, incorporated in 1987, is a Surat-based company promoted by Mr. Pradip R Navik, Mr. Shantilal Patel and Mr. Rohan Navik. The company is engaged in the cultivation and trading of shrimps. ZAL cultivates two major species of shrimps - Black Tiger Shrimp and Vannamei.

For FY2015-16, ZAL registered profit after tax (PAT) of Rs.1.91 crore on operating income of Rs.121.29 crore as against profit after tax of Rs.3.07 crore on operating income of Rs.171.34 crore in FY2014-15.

Rating History

Date	Facilities	Amount (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
07 August, 2015	Cash Credit	45.00	SMERA BB (Assigned)	-	Stable

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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