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Research Update:

Pesquera Exalmar 'B' Ratings Placed On Watch Negative On Fishing Quota Delay

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Overview

- The volatile weather conditions have affected the biomass along the Peruvian coast, which have delayed the announcement of the fishing quota for the first season of 2016.
- As a result, we are placing Exalmar's 'B' ratings on Peru-based fishing company on CreditWatch with negative implications.
- The CreditWatch listing reflects a one-in-two chance of a due to delays in the announcement of the approved fishing quota for the first season of 2016, which could lead to harmful implications for the company's liquidity.

Rating Action

On June 16, 2016, S&P Global Ratings placed its 'B' long-term corporate credit and issue-level ratings on Pesquera Exalmar S.A.A. on CreditWatch negative.

Rationale

The CreditWatch listing reflects at least a one-in-two chance of a downgrade over the next three months in light of significant delays in announcing the fishing quota for the first season of 2016. The latter is fueling uncertainties over the company's operations for the rest of the year. In our opinion, such delays will have negative implications on the company's production volumes, which could weaken its financial performance and reduce its liquidity for 2016.

According to biomass studies on the Peruvian coast conducted in May, only 3.2 million metric tons were adult fish, which is below the 5 million ton threshold at which the Peruvian government generally limits industrial fishing activities. Currently, a second scientific survey is underway, and findings should help determine the timing and size of the first 2016 fishing season.

CreditWatch

We will resolve the CreditWatch listing following the announcement from Peruvian authorities on the approved quota, and after we assess its effects on the company's cash flow generation and liquidity position.

Related Criteria And Research

Related Criteria

- Criteria - Corporates - Industrials: Key Credit Factors For The Agribusiness And Commodity Foods Industry - January 29, 2015
- Criteria - Corporates - General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers - December 16, 2014

- General Criteria: Group Rating Methodology - November 19, 2013
- Criteria - Corporates - General: Corporate Methodology: Ratios And Adjustments - November 19, 2013
- General Criteria: Methodology: Industry Risk - November 19, 2013
- Criteria - Corporates - General: Corporate Methodology - November 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions - November 19, 2013
- General Criteria: Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers - May 07, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers - November 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks - September 14, 2009
- Criteria - Corporates - General: 2008 Corporate Criteria: Rating Each Issue - April 15, 2008

Ratings List

	Rating	
	To	From
Pesquera Exalmar S.A.A.		
Corporate Credit Rating		
Foreign and Local Currency	B/Watch Neg/--	B/Stable/--
Senior Unsecured		
Foreign Currency	B/Watch Neg	B

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