

Coastal Corporation Limited

June 07, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE BB+; ISSUER NOT COOPERATING* (Double B Plus ISSUER NOT COOPERATING*) and Withdrawn
Short Term Bank Facilities	-	-	Rating continues to remain under ISSUER NOT COOPERATING category; Reaffirmed at CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*) and Withdrawn
Total Bank Facilities	0.00 (Rs. Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE BB+/CARE A4+; Issuer Not Cooperating [Double B Plus/A Four Plus; Issuer Not Cooperating]' assigned to the bank facilities of Coastal Corporation Ltd (CCL) with immediate effect. The above action has been taken at the request of CCL and 'No Objection Certificate' received from the bank that have extended the facilities rated by CARE.

Detailed description of the key rating drivers

At the time of last rating on May 18, 2020 the following were the rating strengths and weaknesses:

Key Rating Weaknesses

Decline in the profitability margins albeit increase in the total operating income

The total operation income of the company increased by 9.44% from Rs.481.70 crore in FY19 to Rs.527.21 crore in FY20. Despite increase in the scale of operations, the PBILDT margin of the company declined by 535 bps from 15.77% in FY19 to 10.42% in FY20 on account of increase in the cost of raw material consumed. The PAT margin of the company also declined by 227 bps 8.88% in FY19 to 6.61% in FY20. In 9MFY21(Prov.), the company achieved total operating income of Rs.309.84 crore and PAT of Rs. 20.58 crore.

Seasonal availability of raw material with raw material being disease prone and highly dependent on climate conditions

Shrimp can be obtained by either sea-catching or through aquaculture. Sea caught shrimps are available for around 10 months during the year. Aqua cultured shrimps are very seasonal in nature and crop is harvested twice in a year, so the company has to maintain stocks of finished goods at almost half of the inventory level. Raw materials cannot be stored for more than one month due to its perishable nature.

Exposure to regulatory risk and foreign exchange fluctuation risk

Government policies keep varying depending upon other macro-economic factors like Anti-dumping duties (ADD) and inflation etc. which increase the expenses of the companies operating on the seafood industry. Further, the exports are also dependent on ADD imposed by importing countries like USA. However, the company has foreign exchange hedging to the extent of export packing foreign currency credit facility and forward contracts.

Key rating strengths

Experienced promoters and satisfactory track record in aquaculture industry

The promoter of the company, Mr. T. Valsaraj, is an engineering graduate and is having over three decades of experience in sea foods export industry. Mr. T. Valsaraj, Managing Director, looks after the day-to-day operations of the company right from sourcing of orders to final delivery. He is well supported by highly experienced and professional team.

Accredited manufacturing facility from various authorities

The manufacturing facilities of CCL and the laboratory for microbiological & anti-biotic analysis are compliant with international standards for seafood products. The processing unit is accredited with certifications from HACCP regulated by United States Food and Drug Administration (USFDA). CCL has BRC (British Retail Consortium) and BAP (Best Aquaculture Practices) Global

Standard for Food Safety Issue certification. Further, the company is also having HALAL certification and presented with award for excellence in exports by The Federation of Telangana and Andhra Pradesh Chamber of Commerce and Industry (FTAPCCI).

Satisfactory financial risk profile

The overall gearing of the company improved to 0.72x as on March 31, 2020 (0.99x as on March 31, 2019) on account of deduction in the total debt level along with accretion of the profit to the tangible net-worth. The PBILDT interest coverage ratio deteriorated to 8.60x in FY20 (8.96 in FY19) on account of decline in the PBILDT level. The debt coverage indicators such as total debt/GCA and total debt/PBILDT deteriorated to 2.98x and 2.04x in FY20 (2.68x and 1.63x during FY19) respectively.

Analytical approach: Standalone

Applicable criteria:

[Policy on Withdrawal of ratings](#)

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios- Non-Financial Sector](#)

[Rating Methodology-Manufacturing Companies](#)

About the Company

Coastal Corporation Limited (CCL) was promoted by Mr. T. Valsaraj in the year 1981. The company is engaged in processing and export of frozen aqua and seafood products mainly shrimps. CCL exports mainly to United States of America (USA) and European Countries. Besides, the company also exports to countries such as Canada, United Arab Emirates (U.A.E.), Saudi Arabia, Australia etc. CCL operates in two processing facilities located in Andhra Pradesh, with an aggregate installed capacity of 72.5 metric tons per day.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	481.70	527.21
PBILDT	75.95	54.95
PAT	42.82	34.82
Overall gearing (times)	0.99	0.72
Interest coverage (times)	8.96	8.60

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments/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-EPC/PSC	-	-	-	0.00	Withdrawn
Fund-based - ST-FBN / FBP	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Stand by Line of Credit	-	-	-	0.00	Withdrawn
Non-fund-based - ST-Forward Contract	-	-	-	0.00	Withdrawn

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-EPC/PSC	LT	-	-	-	1)CARE BB+; ISSUER NOT COOPERATING* (18-May-20)	-	1)CARE BBB-; ISSUER NOT COOPERATING* (19-Mar-19)
2.	Fund-based - ST-FBN / FBP	ST	-	-	-	1)CARE A4+; ISSUER NOT COOPERATING* (18-May-20)	-	1)CARE A3; ISSUER NOT COOPERATING* (19-Mar-19)
3.	Non-fund-based - ST-Stand by Line of Credit	ST	-	-	-	1)CARE A4+; ISSUER NOT COOPERATING* (18-May-20)	-	1)CARE A3; ISSUER NOT COOPERATING* (19-Mar-19)
4.	Non-fund-based - ST-Forward Contract	ST	-	-	-	1)CARE A4+; ISSUER NOT COOPERATING* (18-May-20)	-	1)CARE A3; ISSUER NOT COOPERATING* (19-Mar-19)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not applicable**Annexure 4: Complexity level of various instruments rated for this company:**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-EPC/PSC	Simple
2.	Fund-based - ST-FBN / FBP	Simple
3.	Non-fund-based - ST-Forward Contract	Simple
4.	Non-fund-based - ST-Stand by Line of Credit	Simple

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

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About CARE Ratings:

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