

AUGUST 19, 2016

CARE ASSIGNS 'CARE BBB- / CARE A3' RATING TO THE BANK FACILITIES OF COASTAL CORPORATION LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	65	CARE BBB- (Triple B Minus)	Assigned
Short-term Bank Facilities	20	CARE A3 (A Three)	Assigned
Total	85 (Rupees Eighty Five crore only)		

Rating Rationale

The ratings assigned to the bank facilities of Coastal Corporation Limited (CCL) derive strength from experienced promoter group, satisfactory track record in the aquaculture industry, accredited manufacturing facility from various regulatory authorities, growth in operating income over the three-year period ended FY16 (refers to the period April 1 to March 31), satisfactory debt coverage indicators and moderate operating cycle. The ratings are, however, constrained by high overall gearing, high working capital limit utilisation, fluctuating profit margins, exposure to government regulations, foreign exchange fluctuation risk, highly competitive environment in the region leading to short supply of raw material despite being in aquaculture zone and inherent risk associated with the sea food industry. The ability of the company to penetrate further into the existing market as well as improve profit margins amidst increasing competition, improvement in overall gearing and efficient working capital management are the key rating sensitivities.

Background

CCL was promoted by Mr T. Valsaraj in the year 1981. The company is engaged in the 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.

CCL's promoter is associated with the seafood industry for last 30 years and looks after the management of the company. The processing facilities of CCL have received certifications from Export Inspection Council of India, Hazard Analysis Critical Control Point (HACCP) regulated by United States Food and Drug Administration (USFDA), Best Aquaculture Practice (BAP), British Retail

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

Consortium (BRC) and HALAL for sea food exports. Furthermore, CCL has recently received Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTAPCCI) excellence awards for its contribution in export.

CCL achieved PAT of Rs.7.92 crore on a total operating income of Rs.333.27 crore in FY16 compared with PAT of Rs.10.20 crore on a total operating income of Rs.277.93 crore in FY15.

As per the unaudited results for Q1FY17, CCL posted PAT of Rs.2.16 crore on a total operating income of Rs.72.99 crore.

Analyst Contact

Name: Mr Vidhyasagar L

Tel: +91-40-69000517

Cell: +91-8801880184

Email: vidhya.sagar@careratings.com

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

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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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

CONTACT
Head Office Mumbai**Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@careratings.com

Mr. Amod Khanorkar

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD**Mr. Mehul Pandya**

32, Titanium, Prahaladnagar Corporate Road,

Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com

BENGALURU**Mr. Deepak Prajapati**

Unit No. 1101-1102, 11th Floor, Prestige Meridian II,

No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**CHANDIGARH****Mr. Sajan Goyal**

2nd Floor, S.C.O. 196-197, Sector 34-A,

Chandigarh - 160 022.

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com

CHENNAI**Mr. V Pradeep Kumar**

Unit No. O-509/C, Spencer Plaza, 5th Floor,

No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com

COIMBATORE**Mr. V Pradeep Kumar**

T-3, 3rd Floor, Manchester Square

Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

HYDERABAD**Mr. Ramesh Bob**

401, Ashoka Scintilla, 3-6-502, Himayat Nagar,

Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR****Mr. Nikhil Soni**

304, Pashupati Akshat Heights, Plot No. D-91,

Madho Singh Road, Near Collectorate Circle,

Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**KOLKATA****Ms. Priti Agarwal**

3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)

10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com

NEW DELHI**Ms. Swati Agrawal**

13th Floor, E-1 Block, Videocon Tower,

Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com

PUNE**Mr. Pratim Banerjee**

9th Floor, Pride Kumar Senate,

Plot No. 970, Bhamburda, Senapati Bapat Road,

Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com

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