

Coastal Corporation Limited

March 19, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	65.00	CARE BBB-; ISSUER NOT COOPERATING* (Triple B Minus)	Issuer not cooperating; based on best available information
Short term Bank Facilities	20.00	CARE A3; ISSUER NOT COOPERATING* (A Three Minus)	Issuer not cooperating; based on best available information
Total	85.00 (Rs. Eighty Five crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated 27th December 2017, placed the ratings of Coastal Corporation Limited (CCL) under the 'issuer non-cooperating' category as CCL had failed to provide information for monitoring of the rating. CCL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated March 04, 2019, March 07, 2019, March 09, 2019 and March 11, 2019. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this ratings (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

Detailed description of the key rating drivers

At the time of last rating on December 27, 2017, the following were the rating strengths and weaknesses

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, is at the helm of affairs of the company. He has high degree of involvement in 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 recently presented with award for excellence in exports by The Federation of Telangana and Andhra Pradesh Chamber of Commerce and Industry (FTAPCCI).

Increase in total operating income

The total operating income of the company increased by 7.56% from Rs.474.15 crore during FY17 to Rs. 509.98 crore during FY18 on the back of high demand of processed sea foods in United States (US) and European Countries coupled with robust growth opportunities in the segment with the state of A.P. emerging as the leader in supply of processed shrimps from India.

Improvement in profit margins

The PBILDT margin of the company improved by 270 bps from 7.42% during FY17 to 10.12% during FY18. In line with PBILDT margin, the PAT margin also improved by 208 bps from 2.83% during FY17 to 4.91% during FY18.

Satisfactory debt coverage indicators

The debt coverage indicators viz. PBILDT interest coverage improved to 5.54x during FY18 (4.06x during FY17) due to increase in the PBILDT level by 46.64% from Rs 35.18 crore during FY17 to Rs. 51.59 crore during FY18.

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

*Issuer did not cooperate; Based on best available information

Moderate operating cycle and collection period

The operating cycle of the company continues to remain moderate during FY18. The average inventory holding period of the company is moderated at 32-37 days due to increasing sales of processed shrimps resulting in low inventory levels and perishable nature of the raw material which does not allow the storage of shrimps for longer period (less than 60 days).

Key Rating Weaknesses
Highly competitive environment in the region leading to short supply of raw material despite of being in aquaculture zone

CCL has two processing units which are located in the prime aquaculture zone near coastal area of Andhra Pradesh, which helps the company to procure raw materials and process them immediately after harvest. Further, the company has tied up with several Vannamei shrimp farmers in the Godavari, Krishna, Guntur, Prakasam and PottiSriramulu districts for continuous supply of product.

Moderate overall gearing

The overall gearing ratio is moderate although improved to 1.05x as on March 31, 2018 (1.35x as on March 31, 2017) due to accretion of profit to the network.

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. However, it is an industry phenomenon and will affect entire market and government also provides some time lag before changing policies. 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.

Analytical approach: Standalone

Applicable Criteria:

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

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

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

[Criteria for Short Term Instruments](#)

[Rating Methodology-Manufacturing Companies](#)

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

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

Consolidated Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	474.15	509.98
PBILDT	35.18	51.59
PAT	13.40	25.07
Overall gearing (times)	1.35	1.05
Interest coverage (times)	4.06	5.54

#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

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-EPC/PSC	-	-	-	65.00	CARE BBB-; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - ST-FBN / FBP	-	-	-	15.00	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Stand by Line of Credit	-	-	-	3.61	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Forward Contract	-	-	-	1.39	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

*Issuer did not cooperate; Based on best available information

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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-EPC/PSC	LT	65.00	CARE BBB-; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE BBB-; ISSUER NOT COOPERATING* (27-Dec-17)	1)CARE BBB- (19-Aug-16)	-
2.	Fund-based - ST-FBN / FBP	ST	15.00	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A3; ISSUER NOT COOPERATING* (27-Dec-17)	1)CARE A3 (19-Aug-16)	-
3.	Non-fund-based - ST- Stand by Line of Credit	ST	3.61	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A3; ISSUER NOT COOPERATING* (27-Dec-17)	1)CARE A3 (19-Aug-16)	-
4.	Non-fund-based - ST- Forward Contract	ST	1.39	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A3; ISSUER NOT COOPERATING* (27-Dec-17)	1)CARE A3 (19-Aug-16)	-

*Issuer did not cooperate; Based on best available information

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CIN - L67190MH1993PLC071691