

Coastal Corporation Limited

May 18, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating1	Rating Action
Long term Bank Facilities	65.00	CARE BB+; ISSUER NOT COOPERATING* (Double B Plus ISSUER NOT COOPERATING)	Issuer not cooperating; Revised from CARE BBB-; ISSUER NOT COOPERATING; (Triple B Minus) based on best available information
Short term Bank Facilities	20.00	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING)	Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING; (A Three) based on best available information)
Total Facilities	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 March 19, 2019 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 emails dated May 04, May 05 and May 06. 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 rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating).

The ratings have been revised by taking into account non-availability of requisite information due to non-cooperation by CCL with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

Detailed description of the key rating drivers

At the time of last rating on March 19, 2019 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, 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).

Moderate scale of operations along with satisfactory profitability margins

The scale of operations of the company is moderate at Rs.481.70 crore during FY19, however it was declined by 5.54% from Rs.509.98 crore during FY18. The PBILDT margin of the company improved significantly by 565 bps from 10.12% during FY18 to 15.77% during FY19 due to increase in the PBILDT level by 47.21% from Rs 51.59 crore during FY18 to Rs. 75.95 crore during FY19. Consecutively, the PAT margin also improved by 398bps from 4.91% during FY18 to 8.89% during FY19.

Satisfactory financial risk profile

The overall gearing of the company improved to 0.68x as on March 31, 2019 (1.05x as on March 31, 2018) due to accretion of the profit to the tangible net-worth. The PBILDT interest coverage ratio improved to 8.96x during FY19 (5.54 during FY18) due

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

to increase in the PBILDT level. The debt coverage indicators such as total debt/GCA and total debt/PBILDT also improved to 1.83x and 1.11x during FY19 (3.08x and 1.67x during FY18) respectively.

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.

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.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning Rating Outlook](#)

[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.

Brief Financials (Rs. crore)	FY18(A)	FY19 (A)
Total operating income	509.98	481.70
PBILDT	51.59	75.95
PAT	25.07	42.82
Overall gearing (times)	1.05	0.68
Interest coverage (times)	5.54	8.96

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

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	-	-	-	65.00	CARE BB+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; ISSUER NOT COOPERATING* on the basis of best available information
Fund-based - ST-FBN / FBP	-	-	-	15.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST- Stand by Line of Credit	-	-	-	3.61	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST- Forward Contract	-	-	-	1.39	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-EPC/PSC	LT	65.00	CARE BB+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE BBB-; ISSUER NOT COOPERATING* (19-Mar-19)	1)CARE BBB-; ISSUER NOT COOPERATING* (27-Dec-17)
2.	Fund-based - ST-FBN / FBP	ST	15.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE A3; ISSUER NOT COOPERATING* (19-Mar-19)	1)CARE A3; ISSUER NOT COOPERATING* (27-Dec-17)
3.	Non-fund-based - ST-Stand by Line of Credit	ST	3.61	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE A3; ISSUER NOT COOPERATING* (19-Mar-19)	1)CARE A3; ISSUER NOT COOPERATING* (27-Dec-17)
4.	Non-fund-based - ST-Forward Contract	ST	1.39	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information	-	-	1)CARE A3; ISSUER NOT COOPERATING* (19-Mar-19)	1)CARE A3; ISSUER NOT COOPERATING* (27-Dec-17)

*Issuer did not cooperate; Based on best available information

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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