# Coastal Corporation Limited

December 27, 2017

**Ratings**

| Facilities | Amount (Rs. crore) | Ratings[1] | Remarks |
|---|---|---|---|
| Long-term Bank Facilities | 65.00 | **CARE BBB-; Issuer not cooperating* (Triple B Minus; Issuer not cooperating*)** | **Issuer not cooperating; Based on best available information** |
| Short-term Bank Facilities | 20.00 | **CARE A3; Issuer not cooperating* (A Three; Issuer not cooperating*)** | **Issuer not cooperating; Based on best available information** |
| **Total** | **85.00 (Rupees Eighty Five crore only)** | | |

*Details of facilities in Annexure-I*

**Detailed Rationale & Key Rating Drivers**

CARE has been seeking for information from Coastal Corporation Limited to monitor the ratings vide-mail communications dated 24th July 2017, 17th August 2017, 1st September 2017, 29th September 2017, 23rd October 2017, 2nd November 2017 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Coastal Corporation Limited's bank facilities and/or instruments will now be denoted as **CARE BBB-/ CARE A3; ISSUER NOT COOPERATING*.**

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

**Detailed description of the key rating drivers**

At the time of last rating on August 05, 2016 the following were the rating strengths and weaknesses (updated for the information available from stock exchange)

**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

[2]*Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications*
**Issuer did not cooperate; Based on best available information*

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 income of the company grew at a CAGR of 29% over 3 years period from FY15-FY17. In FY17, CCL reported a total income of Rs. 474.15 crore (Rs.333.27 crore in FY16), at a growth rate of 29.70% Y-O-Y 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.

***Improved profit margins***

The PBILDT margin of the company improved by 75 bps to 7.42% in FY17 from 6.67% during FY16. In line with the PBILDT% the PAT margin of the company also improved to 2.83% in FY17 from 2.38% in FY16.

***Comfortable overall gearing***

The overall gearing ratio improved as on March 31, 2017 to 1.36x at the back of accretion of profit to the net worth despite increase in the debt levels of the company.

***Satisfactory debt coverage indicators***

The debt coverage indicators viz. PBILDT interest coverage improved to 4.06x in FY17 at the back of increase in PBILDT in absolute terms. Total Debt/GCA improved during in FY17 due to improvement in GCA levels despite increase in the total debt of the company.

***Moderate operating cycle and collection period***

The operating cycle of the company continues to remain moderate during last three years ended FY17. Further, the working capital cycle of the company improved in FY17 due to improvement in average inventory and collection period. The average inventory holding period of the company has improved 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. However during FY16, CCL has started sourcing raw material from other regions such as; Odisha and Gujarat due to increase in competition in Andhra region.

***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.

| Brief Financials (Rs. crore) | FY16 | FY17 |
|---|---|---|
| Total operating income | 333.27 | 474.15 |
| PBILDT | 22.21 | 35.20 |
| PAT | 7.92 | 13.40 |
| Overall gearing (times) | 1.46 | 1.36 |
| PBILDT Interest coverage (times) | 2.93 | 4.06 |
| PBIT Interest Coverage (times) | 2.60 | 3.73 |

*A: Audited*

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** NA

**Rating History (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.*

**Analyst Contact**

Name: D Naveen Kumar

Tel: 040-40102030

Mobilel: +918886097382

Email: dnaveen.kumar@careratings.com

**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.



**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 BBB-; ISSUER NOT COOPERATING* |
| Fund-based - ST-FBN / FBP | - | - | - | 15.00 | CARE A3; ISSUER NOT COOPERATING* |
| Non-fund-based - ST-Stand by Line of Credit | - | - | - | 3.61 | CARE A3; ISSUER NOT COOPERATING* |
| Non-fund-based - ST-Forward Contract | - | - | - | 1.39 | CARE A3; ISSUER NOT COOPERATING* |

**Annexure-2: Rating History of last three year**

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating history | | | |
|---|---|---|---|---|---|---|---|---|
| | | Type | Amount Outstanding (Rs. crore) | Rating | Date(s) & Rating(s) assigned in 2017-2018 | Date(s) & Rating(s) assigned in 2016-2017 | Date(s) & Rating(s) assigned in 2015-2016 | Date(s) & Rating(s) assigned in 2014-2015 |
| 1. | Fund-based - LT-EPC/PSC | LT | 65.00 | CARE BBB-; ISSUER NOT COOPERATING* | - | 1)CARE BBB- (19-Aug-16) | - | - |
| 2. | Fund-based - ST-FBN / FBP | ST | 15.00 | CARE A3; ISSUER NOT COOPERATING* | - | 1)CARE A3 (19-Aug-16) | - | - |
| 3. | Non-fund-based - ST-Stand by Line of Credit | ST | 3.61 | CARE A3; ISSUER NOT COOPERATING* | - | 1)CARE A3 (19-Aug-16) | - | - |
| 4. | Non-fund-based - ST-Forward Contract | ST | 1.39 | CARE A3; ISSUER NOT COOPERATING* | - | 1)CARE A3 (19-Aug-16) | - | - |

**Issuer not cooperating; based on best available information*

# CONTACT

**Head Office Mumbai**

**Ms. Meenal Sikchi**
Cell: + 9198190 09839
E-mail: meenal.sikchi@careratings.com

**Mr. Ankur Sachdeva**
Cell: + 9198196 98985
E-mail: ankur.sachdeva@careratings.com

**Ms.Rashmi Narvankar**
Cell: + 9199675 70636
E-mail: rashmi.narvankar@careratings.com

**Mr. Saikat Roy**
Cell: + 9198209 98779
E-mail: saikat.roy@careratings.com

## CARE Ratings Limited

**(Formerly known as Credit Analysis & Research Ltd.)**

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. Deepak Prajapati**
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

**BENGALURU**
**Mr. V Pradeep Kumar**
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

**CHANDIGARH**
**Mr. Anand Jha**
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91-0172-490-4000/01
Email: anand.jha@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

**CIN - L67190MH1993PLC071691**