

India

**ADD** (no change)

Consensus ratings\*: Buy 1 Hold 0 Sell 0

Current price:	Rs262
Target price:	Rs1,002
Previous target:	Rs1,334
Up/downside:	282.4%
InCred Research / Consensus:	-24.9%
Reuters:	COAS.BO
Bloomberg:	CTW IN
Market cap:	US\$39m
	Rs3,213m
Average daily turnover:	US\$0.3m
	Rs21.0m
Current shares o/s:	13.5m
Free float:	63.0%

\*Source: Bloomberg

**Key changes in this note**

- Revise our PAT estimates by - 8.6% / -1.4% for FY23F/24F.
- Cut our P/E multiple to 15x from 20x for the shrimp segment.
- Cut our target price to Rs1,002 from Rs1,334.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(14.4)	(28.4)	5.9
Relative (%)	(17.6)	(32.3)	(2.9)

Major shareholders	% held
Promoter & Promoter Group	41.1
	0.0
	0.0

**Analyst(s)**



**Nitin AWASTHI**

T (91) 22 4161 1550

E nitin.awasthi@incredcapital.com

# Coastal Corp. Ltd

## Ecuador plays spoilsport

- Ecuador's shrimp industry increases supply over demand, thereby pulling down prices.
- Andhra Pradesh government withdraws subsidy on electricity supply for the aquaculture industry and starts interfering in the industry's working.
- Retain ADD rating with a lower target price of Rs1,002 (Rs1,334 earlier) or 15x (20x earlier) FY24F P/E for the shrimp processing segment and 10x FY24F P/E for the distillation segment.

**What went wrong?**

The thesis of a strong environment for shrimp demand is weakening. However, shrimp processing companies can sail the storm but with lower sales.

**Why did it happen?**

Major players in the shrimp business are importers like China and USA and exporters such as India and Ecuador. China is in a Covid-19-related lockdown, but its demand for shrimp on a YoY basis is much higher, as can be seen in Fig.1. USA is holding fort with steady demand, as seen in Fig.2. India has steadily upped its game, as seen in Fig.3. However, a confident Ecuador with its secret sauce pumped up shrimp exports beyond market limits, as seen in Fig.4, pulling down shrimp prices lower. India tackled this via an intensive shrimp culture which requires electricity to be made available at a negligible cost. However, Andhra Pradesh (AP) government changed its power policy suddenly and the entire profit margin of shrimp farmers got wiped out. When the farmers began to protest, the blame game started. The state government brought in price controls over the main components of the shrimp business, such as the feed and the seed.

**The way forward**

With shrimp prices pushed lower by Ecuador, Indian farmers are planning a crop holiday to bring back the favourable demand-supply equilibrium. No crop means no feed sales, no seed sales and a lower stock of raw material in the country for processing. However, the biggest drawback is the prisoner's dilemma at play. Indian farmers have planned a crop holiday, but Ecuador's farmers see an opportunity to grab market share from India. A more dangerous trend is Indian processors importing shrimp (which has already started) from Ecuador. Indian processors will ride the tide by adopting the Vietnamese model of processing imported shrimp and then exporting them if things worsen on the supply side, which we believe is likely, at least in the rest of FY23F.

**Retain ADD rating with lower target price of Rs1,002**

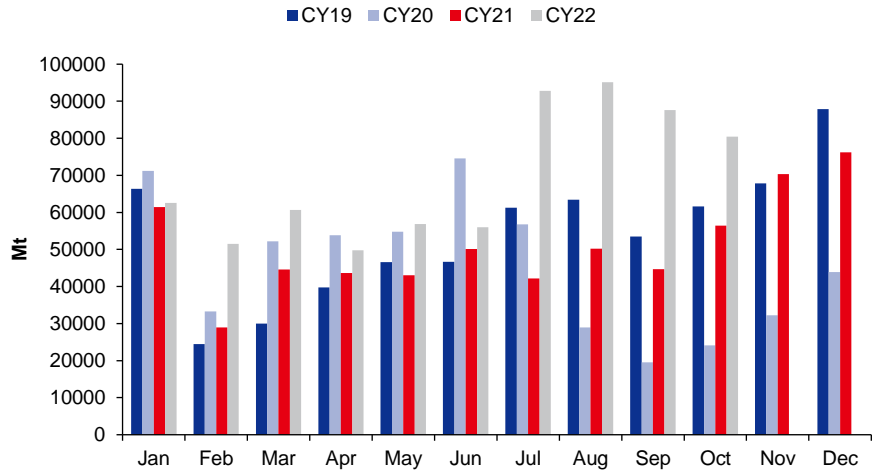
We revise our PAT estimates for Coastal Corporation or CCL by -8.6%/-1.4% for FY23F/24F, respectively, based on the events post 2QFY23 results and notably, high probability of a crop holiday and oversupply of shrimp from Ecuador. Retain ADD rating on CCL with a lower target price of Rs1,002 (Rs1,334 earlier) or 15x FY24F EPS (20x FY24F EPS earlier) for the shrimp segment. Downside risks: Drop in demand for shrimp and shrimp products, hindrance in shrimp supply in the domestic market, and any trade barriers imposed on India or CCL's products.

**Financial Summary**

	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
Revenue (Rsm)	6,043	4,735	4,911	5,488	13,282
Operating EBITDA (Rsm)	400	255	164	541	1,493
Net Profit (Rsm)	341	184	136	356	932
Core EPS (Rs)	33.5	17.7	12.2	28.4	69.0
Core EPS Growth	(43.8%)	(47.3%)	(31.1%)	132.8%	143.3%
FD Core P/E (x)	7.81	14.81	21.49	9.23	3.79
DPS (Rs)	0.0	0.0	2.3	5.3	12.5
Dividend Yield	0.00%	0.00%	0.89%	2.01%	4.77%
EV/EBITDA (x)	8.30	14.19	26.48	9.83	4.11
P/FCFE (x)	354.26	15.21	(9.47)	15.79	(14.35)
Net Gearing	45.9%	50.7%	70.2%	72.5%	72.9%
P/BV (x)	1.86	1.59	1.48	1.26	0.99
ROE	26.6%	11.5%	7.1%	14.7%	29.3%
% Change In Core EPS Estimates				(0.36%)	(0.33%)
InCred Research/Consensus EPS (x)					

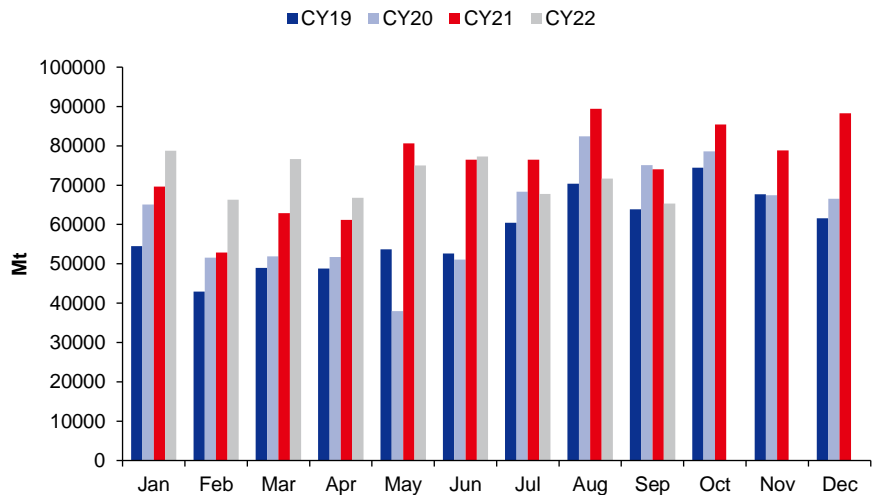
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 1: China's shrimp imports**



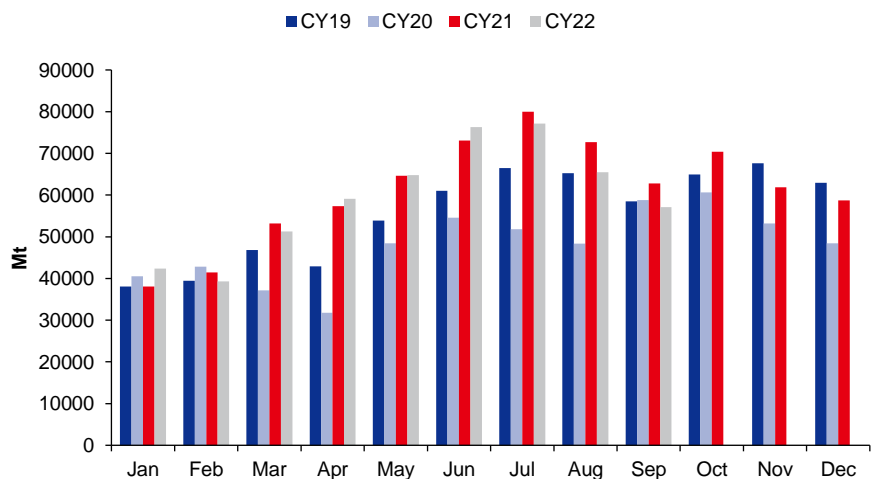
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: USA's shrimp imports**



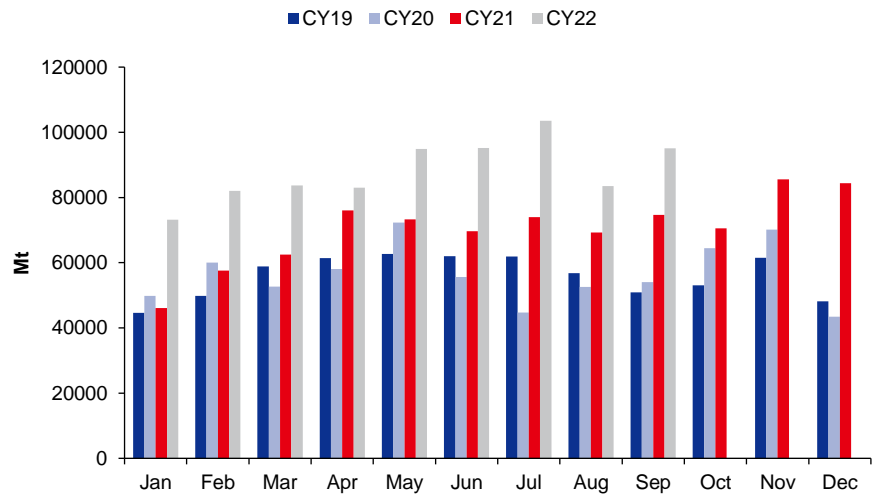
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: India's shrimp exports**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 4: Ecuador's shrimp exports**



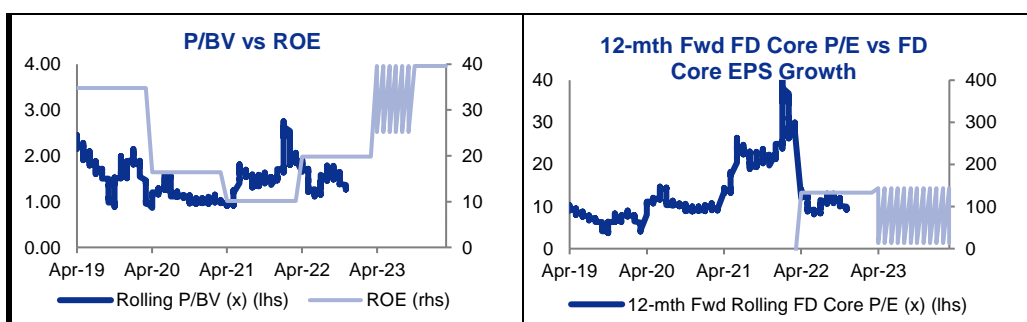
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Our revised earnings estimates**

Rs m	Old estimates		New estimates		Change (%)	
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Revenue	5,871	12,998	5,488	13,282	-6.5%	2.2%
EBITDA	581	1,514	541	1,493	-7.0%	-1.4%
EBITDA Margin (%)	9.9%	11.7%	9.8%	11.2%	-6bp	-41bp
PAT	389	945	356	932	-8.6%	-1.4%
EPS (Rs)	29	70	26	69	-8.6%	-1.4%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs m)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
<b>Total Net Revenue</b>	<b>6,043</b>	<b>4,735</b>	<b>4,911</b>	<b>5,488</b>	<b>13,282</b>
<b>Gross Profit</b>	<b>1,564</b>	<b>1,305</b>	<b>1,700</b>	<b>1,883</b>	<b>4,280</b>
<b>Operating EBITDA</b>	<b>400</b>	<b>255</b>	<b>164</b>	<b>541</b>	<b>1,493</b>
Depreciation And Amortisation	(33)	(35)	(43)	(104)	(214)
<b>Operating EBIT</b>	<b>367</b>	<b>220</b>	<b>121</b>	<b>436</b>	<b>1,279</b>
Financial Income/(Expense)	80	42	72	44	(20)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
<b>Profit Before Tax (pre-EI)</b>	<b>446</b>	<b>261</b>	<b>193</b>	<b>480</b>	<b>1,259</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>446</b>	<b>261</b>	<b>193</b>	<b>480</b>	<b>1,259</b>
Taxation	(106)	(77)	(58)	(125)	(327)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>341</b>	<b>184</b>	<b>136</b>	<b>356</b>	<b>932</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>341</b>	<b>184</b>	<b>136</b>	<b>356</b>	<b>932</b>
Recurring Net Profit	341	184	136	356	932
<b>Fully Diluted Recurring Net Profit</b>	<b>341</b>	<b>184</b>	<b>136</b>	<b>356</b>	<b>932</b>

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>400</b>	<b>255</b>	<b>164</b>	<b>541</b>	<b>1,493</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(112)	131	(122)	(80)	(1,542)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	80	42	72	44	(20)
Tax Paid	(140)	(77)	(58)	(125)	(327)
<b>Cashflow From Operations</b>	<b>227</b>	<b>350</b>	<b>57</b>	<b>380</b>	<b>(396)</b>
Capex	(54)	(431)	(706)	(1,372)	
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
<b>Cash Flow From Investing</b>	<b>(54)</b>	<b>(431)</b>	<b>(706)</b>	<b>(1,372)</b>	
Debt Raised/(repaid)	(165)	261	341	1,200	150
Proceeds From Issue Of Shares		95	9	19	
Shares Repurchased					
Dividends Paid	(37)		(27)	(71)	(169)
Preferred Dividends					
Other Financing Cashflow	(62)	(29)	(61)	(93)	(130)
<b>Cash Flow From Financing</b>	<b>(264)</b>	<b>327</b>	<b>263</b>	<b>1,055</b>	<b>(149)</b>
Total Cash Generated	(91)	245	(386)	63	(545)
<b>Free Cashflow To Equity</b>	<b>8</b>	<b>179</b>	<b>(308)</b>	<b>208</b>	<b>(246)</b>
<b>Free Cashflow To Firm</b>	<b>241</b>	<b>(38)</b>	<b>(588)</b>	<b>(899)</b>	<b>(266)</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**BY THE NUMBERS...cont'd**

<b>Balance Sheet</b>					
<b>(Rs m)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash And Equivalents	460	486	282	888	473
Total Debtors	376	287	395	451	938
Inventories	1,033	1,009	1,090	1,053	1,998
Total Other Current Assets	177	319	312	349	712
<b>Total Current Assets</b>	<b>2,045</b>	<b>2,101</b>	<b>2,080</b>	<b>2,741</b>	<b>4,122</b>
Fixed Assets	355	442	444	2,920	2,706
Total Investments	110	118	133	133	133
Intangible Assets					
Total Other Non-Current Assets	282	610	1,318	110	110
<b>Total Non-current Assets</b>	<b>746</b>	<b>1,170</b>	<b>1,896</b>	<b>3,164</b>	<b>2,950</b>
Short-term Debt	1,115	1,223	1,468	1,668	1,868
Current Portion of Long-Term Debt					
Total Creditors	228	99	159	120	334
Other Current Liabilities					
<b>Total Current Liabilities</b>	<b>1,343</b>	<b>1,322</b>	<b>1,627</b>	<b>1,789</b>	<b>2,203</b>
Total Long-term Debt	2	154	251	1,251	1,201
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	13	26	30	30	30
<b>Total Non-current Liabilities</b>	<b>15</b>	<b>180</b>	<b>281</b>	<b>1,281</b>	<b>1,231</b>
Total Provisions	1	11	22	36	75
<b>Total Liabilities</b>	<b>1,359</b>	<b>1,514</b>	<b>1,930</b>	<b>3,105</b>	<b>3,508</b>
Shareholders' Equity	1,432	1,758	2,046	2,800	3,563
Minority Interests					
<b>Total Equity</b>	<b>1,432</b>	<b>1,758</b>	<b>2,046</b>	<b>2,800</b>	<b>3,563</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	(1.9%)	(21.6%)	3.7%	11.8%	142.0%
Operating EBITDA Growth	(31.6%)	(36.2%)	(35.6%)	229.1%	176.3%
Operating EBITDA Margin	6.6%	5.4%	3.3%	9.8%	11.2%
Net Cash Per Share (Rs)	(64.61)	(83.49)	(124.09)	(150.33)	(192.15)
BVPS (Rs)	140.81	164.60	176.68	207.24	263.76
Gross Interest Cover	5.35	5.11	2.00	4.67	9.83
Effective Tax Rate	23.6%	29.5%	29.9%	26.0%	26.0%
Net Dividend Payout Ratio			14.0%	14.8%	13.4%
Accounts Receivables Days	21.09	25.53	25.34	28.13	19.09
Inventory Days	88.86	108.68	119.34	108.46	61.84
Accounts Payables Days	29.09	17.41	14.65	14.13	9.22
ROIC (%)	18.7%	11.0%	4.7%	12.8%	26.9%
ROCE (%)	16.0%	7.7%	3.5%	9.2%	20.7%
Return On Average Assets	13.2%	7.2%	3.3%	8.8%	19.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

---

## DISCLAIMER

---

This report (including the views and opinions expressed therein, and the information comprised therein) has been prepared by Incred Research Services Private Ltd. (formerly known as Earnest Innovation Partners Private Limited) (hereinafter referred to as "IRSPL"). IRSPL is registered with SEBI as a Research Analyst vide Registration No. INH000007793. Pursuant to a trademark agreement, IRSPL has adopted "Incred Equities" as its trademark for use in this report.

The term "IRSPL" shall, unless the context otherwise requires, mean IRSPL and its affiliates, subsidiaries and related companies. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject IRSPL and its affiliates/group companies to registration or licensing requirements within such jurisdictions.

This report is being supplied to you strictly on the basis that it will remain confidential. No part of this report may be (i) copied, photocopied, duplicated, stored or reproduced in any form by any means; or (ii) redistributed or passed on, directly or indirectly, to any other person in whole or in part, for any purpose without the prior written consent of IRSPL.

The information contained in this report is prepared from data believed to be correct and reliable at the time of issue of this report.

IRSPL is not required to issue regular reports on the subject matter of this report at any frequency and it may cease to do so or change the periodicity of reports at any time. IRSPL is not under any obligation to update this report in the event of a material change to the information contained in this report. IRSPL has not any and will not accept any, obligation to (i) check or ensure that the contents of this report remain current, reliable or relevant; (ii) ensure that the content of this report constitutes all the information a prospective investor may require; (iii) ensure the adequacy, accuracy, completeness, reliability or fairness of any views, opinions and information, and accordingly, IRSPL and its affiliates/group companies (and their respective directors, associates, connected persons and/or employees) shall not be liable in any manner whatsoever for any consequences (including but not limited to any direct, indirect or consequential losses, loss of profits and damages) of any reliance thereon or usage thereof.

Unless otherwise specified, this report is based upon reasonable sources. Such sources will, unless otherwise specified, for market data, be market data and prices available from the main stock exchange or market where the relevant security is listed, or, where appropriate, any other market. Information on the accounts and business of company(ies) will generally be based on published statements of the company(ies), information disseminated by regulatory information services, other publicly available information and information resulting from our research. Whilst every effort is made to ensure that statements of facts made in this report are accurate, all estimates, projections, forecasts, expressions of opinion and other subjective judgments contained in this report are based on assumptions considered to be reasonable as of the date of the document in which they are contained and must not be construed as a representation that the matters referred to therein will occur. Past performance is not a reliable indicator of future performance. The value of investments may go down as well as up and those investing may, depending on the investments in question, lose more than the initial investment. No report shall constitute an offer or an invitation by or on behalf of IRSPL and its affiliates/group companies to any person to buy or sell any investments.

The opinions expressed are based on information which are believed to be accurate and complete and obtained through reliable public or other non-confidential sources at the time made. (Information barriers and other arrangements may be established where necessary to prevent conflicts of interests arising. However, the analyst(s) may receive compensation that is based on his/their coverage of company(ies) in the performance of his/their duties or the performance of his/their recommendations. In reviewing this report, an investor should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additional information is, subject to the duties of confidentiality, available on request. The report is not a "prospectus" as defined under Indian Law, including the Companies Act, 2013, and is not, and shall not be, approved by, or filed or registered with, any Indian regulator, including any Registrar of Companies in India, SEBI, any Indian stock exchange, or the Reserve Bank of India. No offer, or invitation to offer, or solicitation of subscription with respect to any such securities listed or proposed to be listed in India is being made, or intended to be made, to the public, or to any member or section of the public in India, through or pursuant to this report.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

The research analysts, strategists or economists principally responsible for the preparation of this research report are segregated from the other activities of IRSPL. Information barriers and other arrangements have been established, as required, to prevent any conflicts of interests.

IRSPL may have issued other reports (based on technical analysis, event specific, short term views etc.) that are inconsistent with and reach different conclusion from the information presented in this report.

Holding of Analysts/Relatives of Analysts, IRSPL and Associates of IRSPL in the covered securities, as on the date of publishing of this report

	Analyst/ Relative	Entity/ Associates
any financial interests in the company covered in this report (subject company) and nature of such financial interest	NO	NO
actual/beneficial ownership of 1% or more in securities of the subject company at the end of the month immediately preceding the date of publication of the research report or date of the public appearance;	NO	NO
any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
received any compensation from the subject company in the past twelve months for investment banking or merchant banking or brokerage services or investment advisory or depository or distribution from the subject company in the last twelve months for products/services other than investment banking or merchant banking or broker- age services or investment advisory or depository or distribution from the subject company in the last twelve months	NO	NO
managed or co-managed public offering of securities for the subject company in the last twelve months	NO	NO
received any compensation or other benefits from the subject company or third party in connection with the research report	NO	NO
served as an officer, director or employee of the subject company	NO	NO
been engaged in market making activity for the subject company	NO	NO

#### Analyst declaration

- The analyst responsible for the production of this report hereby certifies that the views expressed herein accurately and exclusively reflect his or her personal views and opinions about any and all of the issuers or securities analysed in this report and were prepared independently and autonomously in an unbiased manner.
- No part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations(s) or view(s) in this report or based any specific investment banking transaction.
- The analyst(s) has(have) not had any serious disciplinary action taken against him/her(them).
- The analyst, strategist, or economist does not have any material conflict of interest at the time of publication of this report.
- The analyst(s) has(have) received compensation based upon various factors, including quality, accuracy and value of research, overall firm performance, client feedback and competitive factors.

IRSPL and/or its affiliates and/or its Directors/employees may own or have positions in securities of the company(ies) covered in this report or any securities related thereto and may from time to time add to or dispose of, or may be materially interested in, any such securities.

IRSPL and/or its affiliates and/or its Directors/employees may do and seek to do business with the company(ies) covered in this research report and may from time to time (a) buy/sell the securities covered in this report, from time to time and/or (b) act as market maker or have assumed an underwriting commitment in securities of such company(ies), and/or (c) may sell them to or buy them from customers on a principal basis and/or (d) may also perform or seek to perform significant investment banking, advisory, underwriting or placement services for or relating to such company(ies) and/or (e) solicit such investment, advisory or other services from any entity mentioned in this report and/or (f) act as a lender/borrower to such company and may earn brokerage or other compensation. However, Analysts are forbidden to acquire, on their own account or hold securities (physical or uncertificated, including derivatives) of companies in respect of which they are compiling and producing financial recommendations or in the result of which they play a key part.