

India

**ADD** (no change)

Consensus ratings\*: Buy 1 Hold 0 Sell 0

Current price:	Rs270
Target price:	Rs1,637
Previous target:	Rs1,852
Up/downside:	506.3%
InCred Research / Consensus:	-11.6%
Reuters:	COAS.BO
Bloomberg:	CTW IN
Market cap:	US\$40m
	Rs3,126m
Average daily turnover:	US\$0.5m
	Rs40.5m
Current shares o/s:	11.6m
Free float:	63.0%

\*Source: Bloomberg

**Key changes in this note**

- ▶ PAT estimates adjusted by (10.5) % / (0.4) % for FY23F/ 24F.
- ▶ Cut target price to Rs1,637 from Rs1,852 earlier.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(28.2)	(25.4)	(3.5)
Relative (%)	(29.4)	(27.3)	(9.9)

Major shareholders	% held
Promoter & Promoter Group	41.1

**Analyst(s)**



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# Coastal Corp Ltd

## After completing AP projects, eyes Odisha

- Coastal Corporation reported weak 4QFY22 results, below our estimate, because of higher raw material cost.
- Expansion of shrimp processing and solar power plants has been completed in Andhra Pradesh and they will start contributing from 1QFY23F.
- Retain Add rating with a lower TP of Rs1,637 based on 20x FY24F P/E for the shrimp processing segment and 10x FY24F P/E for the distillation segment.

### Volume growth strong but higher raw material prices play spoilsport

Coastal Corporation Ltd (CCL) posted a weak set of 4QFY22 numbers, below our estimate, due to lacklustre performance on the trading side. However, the performance on the processing side was strong with sales at 1,529mt & 6,218mt in 4QFY22 and FY22, respectively. But the strong volume growth performance did not help as the cost of raw shrimp rose to ~Rs610/kg, up 26% yoy. We expect the situation to normalize with a fall in prices as supply kicks in during 1QFY23F and there is some pass-through of cost inflation.

### Completes expansion projects in Andhra Pradesh

CCL is already running at full capacity its existing processing plants having a capacity of ~6,500mtpa. Post commissioning the per-processing capacity and the Kakinada new processing plant expansion project, the capacity shoots up to ~20,000mtpa. The solar power plant has also been commissioned and the benefits from the same would accrue towards the end of 1QFY22F. With the completion of these projects, a major hurdle has been overcome by the company. After the completion of Andhra Pradesh projects, all eyes are on Odisha expansion projects - shrimp processing and distillation.

### Reiterate Add rating on the stock

We adjust our PAT estimates by (10.5) % & (0.4)% for FY23F and FY24F, respectively, after taking into account 4QFY22 performance. We reiterate Add rating on CCL with a lower target price of Rs1,637, based on 20x FY24F P/E for the shrimp processing business and 10x FY24F P/E for the distillation business. Although PAT estimate for FY24F has not changed much, the conversion of warrants will lead the earnings per share or EPS to fall by 8% in FY24F. Downside risks: Shrimp processing segment - Any drop in demand for shrimp and shrimp products, and any hindrance in supply of shrimp in domestic market will cause problems. There is also execution risk as the size of expansion is large and involves multiple states. However, the risk will reduce substantially once the Kakinada plant stabilizes. Distillation segment - The price of the end-product is regulated and decided by oil marketing companies or OMCs, but prices of raw materials like rice and maize are market-driven. There is also business risk as it's a new business for the company and that too, in a new state - Odisha.

### Financial Summary

	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
Revenue (Rsm)	6,043	4,735	4,911	7,817	17,197
Operating EBITDA (Rsm)	400	255	164	689	1,808
Net Profit (Rsm)	341	184	136	423	1,095
Core EPS (Rs)	33.5	17.7	12.2	36.5	94.5
Core EPS Growth	(43.8%)	(47.3%)	(31.1%)	199.8%	159.0%
FD Core P/E (x)	8.05	15.28	22.17	7.39	2.86
DPS (Rs)	0.0	0.0	2.3	7.3	13.8
Dividend Yield	0.00%	0.00%	0.87%	2.70%	5.13%
EV/EBITDA (x)	8.51	14.53	27.04	8.45	3.27
P/FCFE (x)	365.43	15.69	(9.77)	(7.39)	14.46
Net Gearing	45.9%	50.7%	70.2%	95.1%	74.0%
P/BV (x)	1.92	1.64	1.53	1.10	0.83
ROE	26.6%	11.5%	7.1%	17.3%	33.2%
% Change In Core EPS Estimates			(0.51%)	(0.17%)	(0.08%)
InCred Research/Consensus EPS (x)					

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 1: Quarterly consolidated summary**

Rs m	4QFY22	3QFY22	% QoQ	4QFY21	% YoY
Revenue From Operations	1,264	1,461	-13.5%	1,293	-2.3%
Cost of Goods Sold	971	989	-1.8%	1,019	-4.7%
Employee Expenses	52	46	12.4%	42	22.5%
Other Expenses	322	364	-11.5%	250	28.8%
<b>EBITDA</b>	<b>-82</b>	<b>62</b>	<b>NA</b>	<b>-18</b>	<b>NA</b>
Depreciation	12	10	20.2%	10	18.5%
<b>EBIT</b>	<b>-93</b>	<b>52</b>	<b>NA</b>	<b>-28</b>	<b>NA</b>
Other Income	33	39	-15.3%	28	19.9%
Interest Expenses	17	26	-33.8%	5	242.5%
Exceptional Items	0	0	NA	0	NA
<b>Profit Before Tax</b>	<b>-77</b>	<b>65</b>	<b>NA</b>	<b>-6</b>	<b>NA</b>
Tax Expenses	-16	18	NA	7	NA
<b>PAT</b>	<b>-62</b>	<b>47</b>	<b>NA</b>	<b>-13</b>	<b>NA</b>
<b>Key Ratios</b>	<b>4QFY22</b>	<b>3QFY22</b>	<b>% QoQ</b>	<b>4QFY21</b>	<b>% YoY</b>
EBITDA Margin	-6.4%	4.2%	-1067bp	-1.4%	-503bp
EBIT Margin	-7.4%	3.5%	-1094bp	-2.2%	-520bp
PBT Margin	-6.1%	4.5%	-1058bp	-0.4%	-567bp
PAT Margin	-4.9%	3.2%	-810bp	-1.0%	-388bp
Tax Rate	NA	27.7%	NA	NA	NA

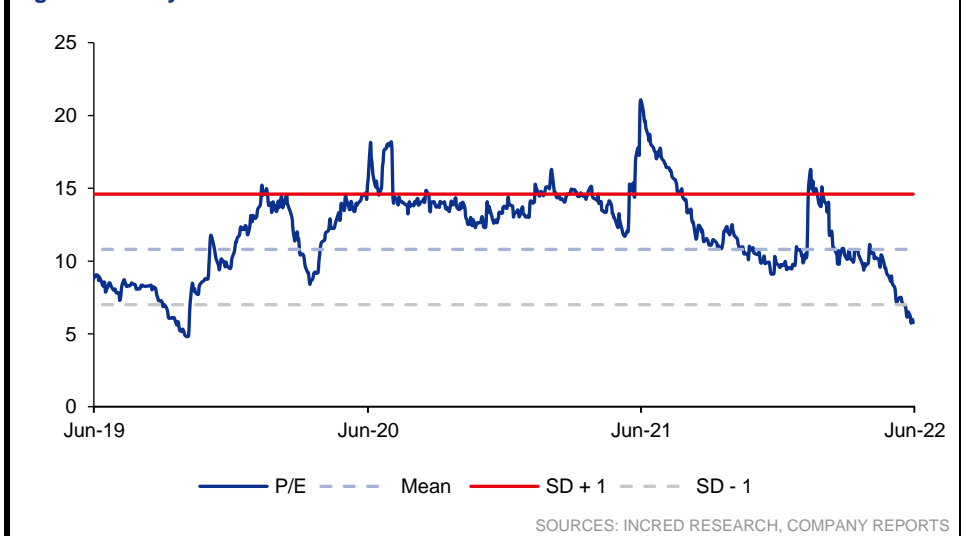
SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Revised earnings estimates**

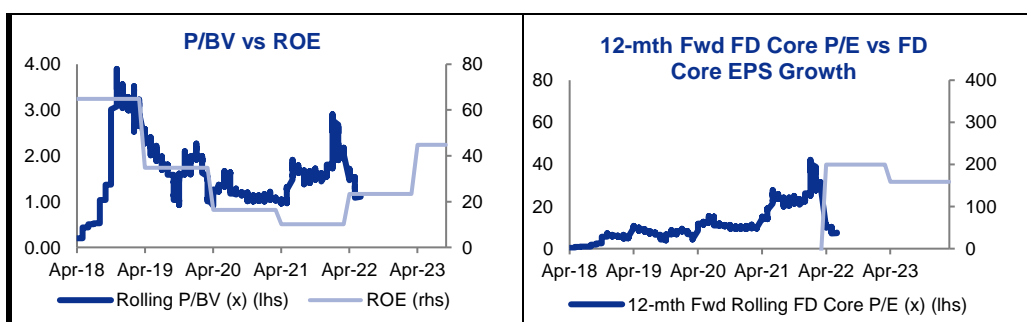
Rsm	Old estimates		New estimates		Change (%)	
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Revenue	7,650	16,653	7,817	17,197	2.2%	3.3%
EBITDA	765	1,868	689	1,808	-9.9%	-3.2%
EBITDA Margin	10.0%	11.2%	8.8%	10.5%	-119bp	-71bp
PAT	473	1,099	423	1,095	-10.5%	-0.4%
EPS (Rs)	44	103	37	95	-17.5%	-8.1%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: One-year forward P/E**



BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>6,043</b>	<b>4,735</b>	<b>4,911</b>	<b>7,817</b>	<b>17,197</b>
<b>Gross Profit</b>	<b>1,564</b>	<b>1,305</b>	<b>1,700</b>	<b>2,409</b>	<b>5,281</b>
<b>Operating EBITDA</b>	<b>400</b>	<b>255</b>	<b>164</b>	<b>689</b>	<b>1,808</b>
Depreciation And Amortisation	(33)	(35)	(43)	(134)	(290)
<b>Operating EBIT</b>	<b>367</b>	<b>220</b>	<b>121</b>	<b>555</b>	<b>1,519</b>
Financial Income/(Expense)	80	42	72	17	(39)
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>571</b>	<b>1,479</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>446</b>	<b>261</b>	<b>193</b>	<b>571</b>	<b>1,479</b>
Taxation	(106)	(77)	(58)	(149)	(385)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>341</b>	<b>184</b>	<b>136</b>	<b>423</b>	<b>1,095</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>423</b>	<b>1,095</b>
Recurring Net Profit	341	184	136	423	1,095
<b>Fully Diluted Recurring Net Profit</b>	<b>341</b>	<b>184</b>	<b>136</b>	<b>423</b>	<b>1,095</b>

Cash Flow

(Rs mn)	Mar-20A	Mar-21A	Mar-22F	Mar-23F	Mar-24F
<b>EBITDA</b>	<b>400</b>	<b>255</b>	<b>164</b>	<b>689</b>	<b>1,808</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(112)	131	(122)	(808)	(1,318)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	80	42	72	17	(39)
Tax Paid	(140)	(77)	(58)	(149)	(385)
<b>Cashflow From Operations</b>	<b>227</b>	<b>350</b>	<b>57</b>	<b>(251)</b>	<b>66</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		
Shares Repurchased					
Dividends Paid	(37)		(27)	(85)	(160)
Preferred Dividends					
Other Financing Cashflow	(62)	(29)	(61)	(91)	(159)
<b>Cash Flow From Financing</b>	<b>(264)</b>	<b>327</b>	<b>263</b>	<b>1,024</b>	<b>(170)</b>
Total Cash Generated	(91)	245	(386)	(599)	(103)
<b>Free Cashflow To Equity</b>	<b>8</b>	<b>179</b>	<b>(308)</b>	<b>(423)</b>	<b>216</b>
<b>Free Cashflow To Firm</b>	<b>241</b>	<b>(38)</b>	<b>(588)</b>	<b>(1,532)</b>	<b>226</b>

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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

<b>Balance Sheet</b>					
<b>(Rs mn)</b>	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash And Equivalents	460	486	282	225	281
Total Debtors	376	287	395	643	1,135
Inventories	1,033	1,009	1,090	1,499	2,401
Total Other Current Assets	177	319	312	497	790
<b>Total Current Assets</b>	<b>2,045</b>	<b>2,101</b>	<b>2,080</b>	<b>2,863</b>	<b>4,607</b>
Fixed Assets	355	442	444	2,890	2,601
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>3,134</b>	<b>2,844</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	171	476
Other Current Liabilities					
<b>Total Current Liabilities</b>	<b>1,343</b>	<b>1,322</b>	<b>1,627</b>	<b>1,840</b>	<b>2,344</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	43	107
<b>Total Liabilities</b>	<b>1,359</b>	<b>1,514</b>	<b>1,930</b>	<b>3,163</b>	<b>3,682</b>
Shareholders Equity	1,432	1,758	2,046	2,834	3,768
Minority Interests					
<b>Total Equity</b>	<b>1,432</b>	<b>1,758</b>	<b>2,046</b>	<b>2,834</b>	<b>3,768</b>

<b>Key Ratios</b>					
	<b>Mar-20A</b>	<b>Mar-21A</b>	<b>Mar-22F</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Revenue Growth	(1.9%)	(21.6%)	3.7%	59.2%	120.0%
Operating EBITDA Growth	(31.6%)	(36.2%)	(35.6%)	319.4%	162.5%
Operating EBITDA Margin	6.6%	5.4%	3.3%	8.8%	10.5%
Net Cash Per Share (Rs)	(64.61)	(83.49)	(124.09)	(232.70)	(240.82)
BVPS (Rs)	140.81	164.60	176.68	244.75	325.45
Gross Interest Cover	5.35	5.11	2.00	6.10	9.52
Effective Tax Rate	23.6%	29.5%	29.9%	26.0%	26.0%
Net Dividend Payout Ratio			14.0%	14.8%	10.8%
Accounts Receivables Days	21.09	25.53	25.34	24.22	18.86
Inventory Days	88.86	108.68	119.34	87.38	59.74
Accounts Payables Days	29.09	17.41	14.65	11.14	9.92
ROIC (%)	18.7%	11.0%	4.7%	16.3%	27.8%
ROCE (%)	16.0%	7.7%	3.5%	11.6%	24.1%
Return On Average Assets	13.2%	7.2%	3.3%	11.1%	22.6%

SOURCES: INCRED RESEARCH, COMPANY REPORTS

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