

Rating Advisory

October 20, 2022 | Mumbai

Coastal Corporation Limited

Update as on October 20, 2022

This rating advisory is provided in relation to the rating of Coastal Corporation Limited

The key rating sensitivity factors for the rating include:

Upward factors

- Healthy revenue growth and improvement in Net Cash Accruals (NCA) to more than Rs. 45 crore on a sustained basis
- Prudent working capital management resulting in lower dependence on debt

Downward factors

- Larger-than-expected debt-funded capital expenditure or significant stretch in working capital cycle weakening financial risk profile, especially liquidity
- Decline in operating margin to under 5%

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL Ratings is yet to receive adequate information from Coastal Corporation Limited (CCL) to enable it to undertake a rating review. CRISIL Ratings is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL Ratings views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings' criteria available at the following link, https://www.crisil.com/content/dam/crisil/criteria_methodology/basics-of-ratings/assessing-information-adequacy-risk.pdf)

If CCL continues to delay the provisioning of information required by CRISIL Ratings to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/ CIR/ P/ 2017/ 71 dt June 30, 2017 and **SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020** issued by Securities and Exchange Board of India, CRISIL Ratings will carry out the review based on best available information and issue a press release.

About the Company

Established in 1981 by Mr T Valsaraj (Managing Director) and Mr G V V Satyanarayana (director), CCL processes and exports frozen marine food products, primarily shrimps. The company has two facilities in Andhra Pradesh.

US-based SSI is a wholly owned subsidiary of CCL and trades in processed shrimp. CFIPL is also a wholly owned subsidiary of CCL and processes shrimp.



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Rating Rationale

November 30, 2021 | Mumbai

Coastal Corporation Limited

Rating reaffirmed at 'CRISIL BBB / Stable'; rated amount enhanced for Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.120 Crore (Enhanced from Rs.105 Crore)
Long Term Rating	CRISIL BBB/Stable (Reaffirmed)

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL BBB/Stable' ratings on the bank facilities of Coastal Corporation Limited (CCL).

The rating continues to reflect company's established market position backed by its promoters' extensive experience and comfortable financial risk profile. These strengths are partially offset by exposure to regulatory changes, intense competition, and volatility in shrimp prices and foreign exchange (forex) rates.

Analytical Approach

For arriving at its rating, CRISIL Ratings has combined the business and financial risk profiles of CCL and its wholly owned subsidiaries, Seacrest Seafoods Inc (SSI) and Continental Fisheries India Pvt Ltd (CFIPL). This is because all the three entities, collectively referred to as the Coastal group, are in the same business.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

Established market position backed by the promoters' extensive experience

Benefits from the promoters' experience of over three decades, their in-depth understanding of the industry and diversified customer base should support the business.

Comfortable financial risk profile

Networth was large and gearing stood moderate at Rs 175 crore and 0.78 times, respectively, as on March 31, 2021. Debt protection metrics were robust, with interest coverage and net cash accrual to total debt ratios of 7.88 times and 0.16 times, respectively, in fiscal 2021. Financial risk profile is likely to remain stable over the medium term.

Weakness:

Exposure to regulatory changes

The seafood export segment is characterized by stringent regulations and quality requirements. Regulatory changes, such as the levy of anti-dumping duties by importing countries, can have an adverse impact on the profitability of the entire industry. Apart from several small domestic players, Indian seafood exporters have to face intense competition from exporters in countries such as Vietnam, Thailand and Indonesia.

Susceptibility to volatility in shrimp prices and forex rates

Shrimp prices depend on availability and demand during a particular period, which exposes revenue and profitability to volatility in shrimp prices. Moreover, given that majority of sales are through exports, operating margin also remains susceptible to volatility in forex rates.

Liquidity Adequate

Net cash accrual is estimated to be around Rs 28-35 crore each in fiscals 2022 and 2023 which are sufficient against yearly term debt obligation of about Rs 4 crore over the medium term. The current ratio stood healthy at 1.59 times on March 31, 2021. Although the average bank limit utilisation remained high at 95% for the last 12 months ended September 2021, the

company has adequate liquidity with sizeable FD's and liquid funds. CCL has an unencumbered cash and cash equivalents to the tune of Rs. 35 crore as on September 30, 2021. The presence of liquid funds supports the financial flexibility and provides the cushion needed in case of any adverse conditions or downturn in the business.

Outlook: Stable

CRISIL Rating believes CCL will continue to benefit from the extensive experience of its promoters.

Rating Sensitivity factors

Upward factors

- Healthy revenue growth and improvement in Net Cash Accruals (NCA) to more than Rs. 45 crore on a sustained basis
- Prudent working capital management resulting in lower dependence on debt

Downward factors

- Larger-than-expected debt-funded capital expenditure or significant stretch in working capital cycle weakening financial risk profile, especially liquidity
- Decline in operating margin to under 5%

About the Company

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Key Financial Indicators (Consolidated)

As on / for the period ended March 31		2021	2020
Operating income	Rs crore	474.84	605.23
Reported profit after tax	Rs crore	18.41	34.08
PAT margins	%	3.88	5.63
Adjusted Debt/Adjusted Net worth	Times	0.78	0.78
Interest coverage	Times	7.88	8.05

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs. crore)	Complexity level	Rating assigned with outlook
NA	Foreign Bill Purchase	NA	NA	NA	40	NA	CRISIL BBB/Stable
NA	Export Packing Credit	NA	NA	NA	80	NA	CRISIL BBB/Stable

Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Coastal Corporation Limited	Full	Same business
Continental Fisheries India Private Limited	Full	Wholly owned subsidiary of CCL engaged in the same business
Seacrest Seafoods Inc	Full	Wholly owned subsidiary of CCL

Annexure - Rating History for last 3 Years

Instrument	Current			2021 (History)		2020		2019		2018		Start of 2018
	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	120.0	CRISIL BBB/Stable		--	12-08-20	CRISIL BBB/Stable	22-10-19	CRISIL BBB/Stable	10-07-18	CRISIL BBB/Stable	CRISIL A3+ / CRISIL BBB/Stable
			--		--		--		--	06-07-18	CRISIL BBB/Stable	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Export Packing Credit	65	Bank of India	CRISIL BBB/Stable
Export Packing Credit	15	Bank of India	CRISIL BBB/Stable
Foreign Bill Purchase	20	Bank of India	CRISIL BBB/Stable
Foreign Bill Purchase	20	Bank of India	CRISIL BBB/Stable

This Annexure has been updated on 30-Nov-2021 in line with the lender-wise facility details as on 30-Nov-2021 received from the rated entity.

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Fast Moving Consumer Goods Industry
CRISILs Criteria for rating short term debt
CRISILs Criteria for Consolidation

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