

Rating Advisory

May 31, 2019 | Mumbai

Coastal Corporation Limited

Advisory as on May 31, 2019

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

The key rating sensitivity factors for the rating include:

- Scale of operations and Profitability
- Working capital management
- Future debt-funded capital expenditure (capex) and its funding pattern

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 is yet to receive adequate information from Coastal Corporation Limited (CCL) to enable it to undertake a rating review. CRISIL 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 views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

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

About the company

Established in 1981, CCL processes and exports frozen marine food products, primarily shrimps. The company has two processing facilities in Andhra Pradesh. Mr T Valsaraj, managing director and Mr G V V Satyanarayana, director, manage the operations.

US-based SSI is a wholly-owned subsidiary of CCL and undertakes trading of processed shrimp.

CFIPL is a wholly-owned subsidiary of CCL and is engaged in processing and sale of shrimp.

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Rating Rationale

July 10, 2018 | Mumbai

Coastal Corporation Limited

Rated amount enhanced

Rating Action

Total Bank Loan Facilities Rated	Rs.105 Crore (Enhanced from Rs.85 Crore)
Long Term Rating	CRISIL BBB/Stable (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL's rating on the long-term bank facilities of Coastal Corporation Limited (CCL; part of Coastal group) continue to reflect CCL's established position in the seafood industry, comfortable financial risk profile and the extensive experience of its promoters. These strengths are partially offset by the company's exposure to regulatory changes, intense competition and volatility in shrimp prices and foreign exchange (forex) rates.

Analytical Approach

For arriving at its ratings, CRISIL 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), collectively referred to as the Coastal group, as they are engaged in similar line of business.

Key Rating Drivers & Detailed Description

Strengths

* Extensive experience of the promoters

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 is healthy, at Rs 76.39 crore as on March 31, 2018. Gearing improved to 1.17 times as on March 31, 2018 from 2.13 times as on March 31, 2015. Debt protection metrics are adequate with interest coverage and net cash accrual to total debt ratios of 4.95 times and 0.3 time, respectively for fiscal 2018.

Weaknesses

* Exposure to regulatory changes

The seafood export segment is marked 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 Bangladesh, Thailand, and Indonesia.

* Exposure to volatility in shrimp prices and forex rates

Shrimp prices are dependent on availability and demand during a particular period, and the company's revenues and profitability are exposed to volatility in the prices of shrimps. Moreover, given that majority of sales are through exports, margins are also exposed to volatility in exchange rates.

Outlook: Stable

CRISIL believes that CCL will continue to benefit from the extensive experience of its promoters. The outlook may be revised to 'Positive' if revenue and profitability increase and capital structure remains comfortable. The outlook may be revised to 'Negative' if decline in revenue or profitability, or any large debt-funded capital expenditure or stretch in working capital cycle weakens capital structure.

About the Company

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Key Financial Indicators

Particulars - Consolidated	Unit	2018	2017
Revenue	Rs crore	616.2	477.6
Profit after tax (PAT)	Rs crore	23.9	9.7
PAT margin	%	3.9	2.0
Adjusted debt/adjusted net worth	Times	4.95	3.41
Interest coverage	Times	1.17	1.5

Status of non cooperation with previous CRA

CCL has not cooperated with CARE, which has classified it as issuer not cooperative vide release dated December 27, 2017. The reason provided by CARE is non-furnishing of information for monitoring of ratings.

Any other information: Not applicable

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.crore)	Rating assigned with outlook
NA	Foreign Bill Purchase	NA	NA	NA	40	CRISIL BBB/Stable
NA	Export Packing Credit	NA	NA	NA	65	CRISIL BBB/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2018 (History)		2017		2016		2015		Start of 2015
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	105.00	CRISIL BBB/Stable	06-07-18	CRISIL BBB/Stable	26-10-17	CRISIL BBB/Stable/ CRISIL A3+	04-07-16	CRISIL BBB-/Stable/ CRISIL A3	13-08-15	CRISIL BBB-/Stable/ CRISIL A3	CRISIL BBB-/Stable/ CRISIL A3

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Export Packing Credit	65	CRISIL BBB/Stable	Export Packing Credit	65	CRISIL BBB/Stable
Foreign Bill Purchase	40	CRISIL BBB/Stable	Foreign Bill Purchase	20	CRISIL BBB/Stable
Total	105	--	Total	85	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

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