

India

**ADD** (no change)

Consensus ratings\*: Buy 1 Hold 0 Sell 0

Current price:	Rs270
Target price:	Rs1,334
Previous target:	Rs1,658
Up/downside:	394.1%
InCred Research / Consensus:	-15.1%
Reuters:	COAS.BO
Bloomberg:	CTW IN
Market cap:	US\$41m
	Rs3,323m
Average daily turnover:	US\$0.3m
	Rs21.8m
Current shares o/s:	13.5m
Free float:	63.0%
*Source: Bloomberg	

**Key changes in this note**

- PAT estimates adjusted by -13.3 %/-14.6 % for FY23F/ 24F.
- EPS estimates adjusted by -25.7 %/-26.8 % for FY23F/ 24F.
- Target price reduced to Rs1,334 from Rs1,658 earlier.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(14.2)	(17.7)	7.3
Relative (%)	(19.7)	(20.4)	4.6

Major shareholders	% held
Promoter & Promoter Group	41.1

**Analyst(s)**



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# Coastal Corp Ltd

## Exciting times ahead

- Coastal Corporation reported strong 2QFY23 results, in line with our estimate.
- Expansion of shrimp processing capacity and setting up of a solar power plant in Andhra Pradesh has been completed and will add to P&L from 3QFY23F.
- Retain ADD rating with a lower TP of Rs1,334 or 20x FY24F P/E for the shrimp processing segment and 10x FY24F P/E for the distillation segment, mainly due to the rights share issue.

### The going is strong

Coastal Corporation (CCL) posted a strong set of 2QFY23 numbers. The performance on the shrimp processing side was strong with sales and margins better than that of the industry. We expect the outperformance to continue. Growth, in our view, will be better when the new plant at Kakinada starts operations in 3QFY23F. The reduction in freight cost will be directly positive for EBITDA margin going ahead.

### Expansion

CCL is already running its operations at full capacity at existing shrimp processing plants having a capacity of ~6,500mtpa. Post commissioning the pre-processing capacity at Kakinada and also the new processing plant there, the capacity has surged to 20,000mtpa, which will go on stream in 3QFY23F. The solar power plant has also been commissioned and the benefits from the same have accrued in 2QFY23, but the magnitude will be substantially higher in 3QFY23F. With the completion of these projects, a major hurdle has been overcome by CCL. After the completion of Andhra Pradesh projects, all eyes are on Odisha expansion projects - shrimp processing and distillation - along with the ramp-up of the new Kakinada plant.

### Reiterate Add rating with lower target price of Rs1,334

We adjust our PAT estimates by -13.3 % and -14.6% for FY23F and FY24F, respectively, after considering 2QFY23 performance. Our EPS estimates stand adjusted by -25.7% & -26.8% for FY23F and FY24F, respectively, due to the rights issue of 19,29,800 equity shares. We reiterate ADD rating on CCL with a lower target price of Rs1,334 (Rs1,658 earlier), based on 20x FY24F P/E for the shrimp processing business and 10x FY24F P/E for the distillation business. 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 has reduced substantially as the Kakinada plant has already been commissioned. Distillation segment - The price of the end-product is regulated and decided by oil marketing companies or OMCs, but the 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-22A	Mar-23F	Mar-24F
Revenue (Rsm)	6,043	4,735	4,911	5,871	12,998
Operating EBITDA (Rsm)	400	255	164	581	1,514
Net Profit (Rsm)	341	184	136	389	945
Core EPS (Rs)	33.5	17.7	12.2	31.0	70.0
Core EPS Growth	(43.8%)	(47.3%)	(31.1%)	154.8%	125.6%
FD Core P/E (x)	8.06	15.30	22.19	8.71	3.86
DPS (Rs)	0.0	0.0	2.3	5.8	12.7
Dividend Yield	0.00%	0.00%	0.87%	2.13%	4.69%
EV/EBITDA (x)	8.51	14.54	27.06	9.48	4.05
P/FCFE (x)	365.83	15.71	(9.78)	27.82	(107.93)
Net Gearing	45.9%	50.7%	70.2%	75.1%	68.8%
P/BV (x)	1.92	1.64	1.53	1.29	1.01
ROE	26.6%	11.5%	7.1%	16.0%	29.4%
% Change In Core EPS Estimates				(0.30%)	(0.32%)
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 1: Quarterly consolidated results summary**

Rs m	2QFY23	1QFY23	% QoQ	2QFY22	% YoY
Revenue From Operations	1,071	1,164	-8.0%	1,281	-16.4%
Cost of Goods Sold	679	733	-7.3%	849	-20.0%
Employee Expenses	42	42	-0.2%	39	7.8%
Other Expenses	243	300	-19.0%	297	-18.3%
<b>EBITDA</b>	<b>107</b>	<b>90</b>	<b>19.5%</b>	<b>96</b>	<b>11.7%</b>
Depreciation	26	11	145.0%	11	137.1%
<b>EBIT</b>	<b>81</b>	<b>79</b>	<b>2.5%</b>	<b>85</b>	<b>-4.6%</b>
Other Income	42	56	-23.8%	33	26.6%
Interest Expenses	31	17	76.4%	10	194.2%
<b>Profit Before Tax</b>	<b>93</b>	<b>117</b>	<b>-20.9%</b>	<b>108</b>	<b>-14.1%</b>
Tax Expenses	25	29	-14.4%	30	-14.8%
<b>PAT</b>	<b>68</b>	<b>88</b>	<b>-23.1%</b>	<b>78</b>	<b>-13.9%</b>
<b>Key Ratios</b>	<b>2QFY23</b>	<b>1QFY23</b>	<b>% QoQ</b>	<b>2QFY22</b>	<b>% YoY</b>
EBITDA Margin	10.0%	7.7%	231bp	7.5%	252bp
EBIT Margin	7.6%	6.8%	77bp	6.6%	93bp
PBT Margin	8.7%	10.1%	-141bp	8.4%	23bp
PAT Margin	6.3%	7.5%	-124bp	6.1%	18bp
Tax Rate	27.1%	25.0%	208bp	27.3%	-21bp

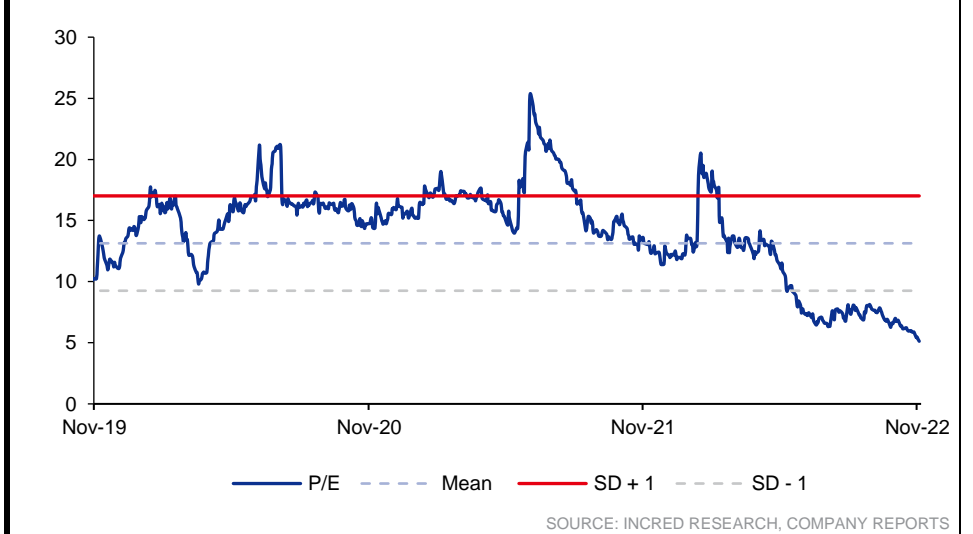
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 2: Our revised earnings estimates**

Rs m	Old estimates		New estimates		Change (%)	
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Revenue	7,513	17,344	5,871	12,998	-21.9%	-25.1%
EBITDA	661	1,823	581	1,514	-12.1%	-16.9%
EBITDA Margin (%)	8.8%	10.5%	9.9%	11.7%	110bp	114bp
PAT	449	1,107	389	945	-13.3%	-14.6%
EPS (Rs)	39	96	29	70	-25.7%	-26.8%

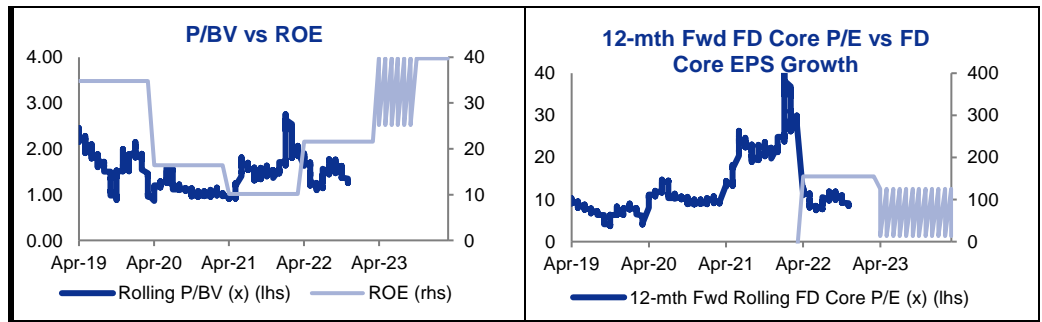
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-20A	Mar-21A	Mar-22A	Mar-23F	Mar-24F
<b>Total Net Revenues</b>	<b>6,043</b>	<b>4,735</b>	<b>4,911</b>	<b>5,871</b>	<b>12,998</b>
<b>Gross Profit</b>	<b>1,564</b>	<b>1,305</b>	<b>1,700</b>	<b>2,008</b>	<b>4,238</b>
<b>Operating EBITDA</b>	<b>400</b>	<b>255</b>	<b>164</b>	<b>581</b>	<b>1,514</b>
Depreciation And Amortisation	(33)	(35)	(43)	(104)	(214)
<b>Operating EBIT</b>	<b>367</b>	<b>220</b>	<b>121</b>	<b>477</b>	<b>1,300</b>
Financial Income/(Expense)	80	42	72	49	(23)
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>526</b>	<b>1,278</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>446</b>	<b>261</b>	<b>193</b>	<b>526</b>	<b>1,278</b>
Taxation	(106)	(77)	(58)	(137)	(332)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>341</b>	<b>184</b>	<b>136</b>	<b>389</b>	<b>945</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>389</b>	<b>945</b>
Recurring Net Profit	341	184	136	389	945
<b>Fully Diluted Recurring Net Profit</b>	<b>341</b>	<b>184</b>	<b>136</b>	<b>389</b>	<b>945</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>581</b>	<b>1,514</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(112)	131	(122)	(199)	(1,343)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	80	42	72	49	(23)
Tax Paid	(140)	(77)	(58)	(137)	(332)
<b>Cashflow From Operations</b>	<b>227</b>	<b>350</b>	<b>57</b>	<b>294</b>	<b>(184)</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)	(78)	(171)
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>1,048</b>	<b>(151)</b>
Total Cash Generated	(91)	245	(386)	(30)	(335)
<b>Free Cashflow To Equity</b>	<b>8</b>	<b>179</b>	<b>(308)</b>	<b>122</b>	<b>(34)</b>
<b>Free Cashflow To Firm</b>	<b>241</b>	<b>(38)</b>	<b>(588)</b>	<b>(985)</b>	<b>(54)</b>

SOURCE: 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-22A</b>	<b>Mar-23F</b>	<b>Mar-24F</b>
Total Cash And Equivalents	460	486	282	796	591
Total Debtors	376	287	395	483	917
Inventories	1,033	1,009	1,090	1,126	1,951
Total Other Current Assets	177	319	312	373	694
<b>Total Current Assets</b>	<b>2,045</b>	<b>2,101</b>	<b>2,080</b>	<b>2,777</b>	<b>4,152</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	129	328
Other Current Liabilities					
<b>Total Current Liabilities</b>	<b>1,343</b>	<b>1,322</b>	<b>1,627</b>	<b>1,797</b>	<b>2,196</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	37	74
<b>Total Liabilities</b>	<b>1,359</b>	<b>1,514</b>	<b>1,930</b>	<b>3,115</b>	<b>3,501</b>
Shareholders Equity	1,432	1,758	2,046	2,826	3,601
Minority Interests					
<b>Total Equity</b>	<b>1,432</b>	<b>1,758</b>	<b>2,046</b>	<b>2,826</b>	<b>3,601</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%	19.5%	121.4%
Operating EBITDA Growth	(31.6%)	(36.2%)	(35.6%)	254.0%	160.4%
Operating EBITDA Margin	6.6%	5.4%	3.3%	9.9%	11.7%
Net Cash Per Share (Rs)	(64.61)	(83.49)	(124.09)	(157.20)	(183.48)
BVPS (Rs)	140.81	164.60	176.68	209.23	266.54
Gross Interest Cover	5.35	5.11	2.00	5.11	9.99
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	27.28	19.65
Inventory Days	88.86	108.68	119.34	104.70	64.10
Accounts Payables Days	29.09	17.41	14.65	13.58	9.52
ROIC (%)	18.7%	11.0%	4.7%	14.0%	26.6%
ROCE (%)	16.0%	7.7%	3.5%	10.0%	20.9%
Return On Average Assets	13.2%	7.2%	3.3%	9.6%	19.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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