

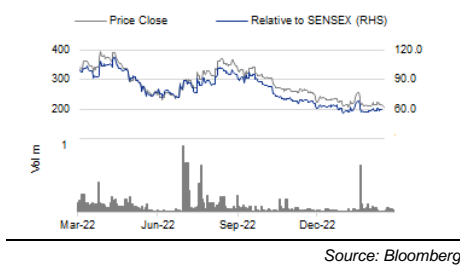
India

ADD (no change)

Consensus ratings*: Buy 1 Hold 0 Sell 0	
Current price:	Rs176
Target price:	Rs990
Previous target:	Rs1,002
Up/downside:	462.5%
InCred Research / Consensus:	-1.2%
Reuters:	COAS.BO
Bloomberg:	CTW IN
Market cap:	US\$28m
	Rs2,276m
Average daily turnover:	US\$0.1m
	Rs8.8m
Current shares o/s:	13.5m
Free float:	58.4%
*Source: Bloomberg	

Key changes in this note

- FY23F/24F PAT estimates cut by 49%/20%.
- Introduce FY25F estimates.



Price performance	1M	3M	12M
Absolute (%)	(18.9)	(25.3)	(48.3)
Relative (%)	(17.8)	(22.4)	(48.1)

Major shareholders	% held
Promoter & Promoter Group	41.6

Analyst(s)

Nitin AWASTHI
 T (91) 22 4161 1550
 E nitin.awasthi@incredcapital.com

Coastal Corp Ltd

Business on track despite industry hiccups

- We had a meeting with COO Mr. T.V.V. Prasad of Coastal Biotech (100% arm of Coastal Corporation or CCL) to understand its ethanol plant's progress.
- The 198 klpd ethanol project in Odisha is on track. Coastal Biotech is likely to start supplying ethanol to oil marketing companies or OMCs by 3QFY24F.
- Retain ADD rating on CCL with a new target price of Rs990 (Rs1,002 earlier).

Coastal Biotech's business

Coastal Biotech Private Ltd (Coastal Biotech) was incorporated as a 100% subsidiary of Coastal Corporation (CCL) in FY21 to embark on diversification into the ethanol segment. CCL's management wanted an experienced chemical business veteran on deck and hence, it appointed Mr. T.V.V. Prasad as the COO of Coastal Biotech. Mr. Prasad has more than four decades of experience globally, having worked in companies like Hindustan Zinc, Sigma Coatings (PPG group), and the fourth largest producer of phosphoric acid in the world – Industries Chimiques Du Senegal in Africa.

Odisha ethanol project update

Coastal Biotech performed the ground-breaking ceremony of its 198 klpd ethanol project in Odisha on 30 Nov 2021 in the presence of Mr. Naveen Patnaik, chief minister of the state. The construction of the plant is progressing as planned. Coastal Biotech expects to start supplying ethanol to OMCs by 3QFY24F. The foundation of the structure has been laid and fabrication work for the equipment has commenced. As the EPC work has been given to Regreen Excel, which has proved its worth in the ethanol industry, the company is confident of commencing commercial operations at the plant by 3QFY24F.

Further expansion plan

CCL has a firm belief in India's ethanol story and thus the 198 klpd Odisha project is just a beginning. The company is evaluating expansion of the ethanol business to other states as well, but nothing has been finalized so far.

Retain ADD rating with a revised target price of Rs990

We retain our ADD rating on CCL with a slightly lower target price of Rs990 (Rs1,002 earlier) or 10x FY25F EPS for both segments - shrimp and distillation (our 15x FY24F EPS for the shrimp segment earlier has been changed due to structural change in the industry, such as Ecuador becoming the leader in shrimp exports which makes it tougher for India to maintain/increase its share in the shrimp business globally), while rolling forward our earnings estimates to FY25F. FY23F/24F PAT estimates have been cut by 49%/20%, respectively, due to sales deferment in FY23F and FY24F and slower growth of the shrimp segment in the US market. We believe the recent correction in CCL is overdone and the stock is available at an attractive valuation. Downside risks: Shrimp segment - 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. Distillation segment – Ethanol prices set by the Government of India annually.

Financial Summary	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue (Rsm)	4,735	4,911	3,509	9,131	15,181
Operating EBITDA (Rsm)	255	164	331	1,263	2,125
Net Profit (Rsm)	184	136	182	747	1,337
Core EPS (Rs)	17.7	12.2	14.5	55.3	99.0
Core EPS Growth	(47.3%)	(31.1%)	19.2%	280.8%	79.1%
FD Core P/E (x)	9.97	14.46	12.13	3.19	1.78
DPS (Rs)	0.0	2.3	2.7	9.9	15.3
Dividend Yield	0.00%	1.33%	1.53%	5.64%	8.66%
EV/EBITDA (x)	10.69	20.68	11.38	3.36	1.83
P/FCFE (x)	10.23	(6.37)	4.96	(10.58)	6.55
Net Gearing	50.7%	70.2%	58.6%	57.1%	34.3%
P/BV (x)	1.07	1.00	0.89	0.73	0.54
ROE	11.5%	7.1%	7.7%	25.2%	34.8%
% Change In Core EPS Estimates			(0.67%)	(0.46%)	
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Valuation & estimates

Our estimates >

- We have cut our earnings (PAT) estimate sharply for FY23F and FY24F by 49% and 20%, respectively.
- The reason behind the sharp cut in our earnings estimates is sales deferment in FY23F and FY24F.
- There is also slower growth of shrimp business in the US market.

Figure 1: Change in estimates

(Rsm)	Old estimates		New estimates		Change (%)	
	FY23F	FY24F	FY23F	FY24F	FY23F	FY24F
Revenue	5,488	13,282	3,509	9,131	-36.1%	-31.3%
EBITDA	541	1,493	331	1,263	-38.8%	-15.4%
EBITDA Margin (%)	9.8%	11.2%	9.4%	13.8%	-41bp	259bp
PAT	356	932	182	747	-48.8%	-19.9%
EPS (Rs)	26	69	13	55	-48.8%	-19.9%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Key assumptions

Particulars	FY21	FY22	FY23F	FY24F	FY25F
Volume of shrimp sold (in mt)	5,873.5	6,217.8	3,760.0	8,200.0	12,220.0
Volume of ethanol sold (in mltr)				23.8	65.3
Shrimp price (Rs/kg)	632.5	719.3	751.3	740.0	750.0
Ethanol price (Rs/ltr)				55.5	55.5
DDGS price (Rs/kg)				28.3	30.0

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Valuation >

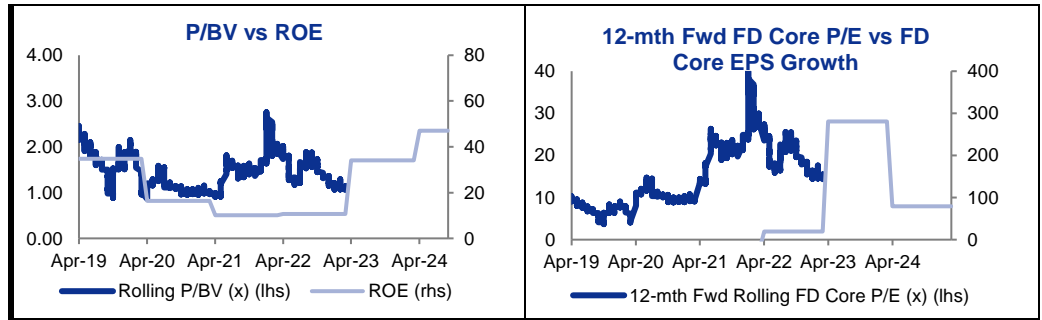
- We have cut the P/E of shrimp business to 10x from 15x because of structural change in the industry, such as Ecuador becoming the leader in shrimp exports which makes it tougher for India to maintain/increase its share in the shrimp business globally.

Figure 3: Valuation

Segment-wise valuation - FY25F	EPS (Rs)	P/E (x)	Valuation (Rs/share)
Shrimp	76	10	763
Ethanol	23	10	227
Total			990

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Net Revenues	4,735	4,911	3,509	9,131	15,181
Gross Profit	1,305	1,700	1,370	3,355	5,798
Operating EBITDA	255	164	331	1,263	2,125
Depreciation And Amortisation	(35)	(43)	(97)	(214)	(290)
Operating EBIT	220	121	234	1,049	1,836
Financial Income/(Expense)	42	72	17	(40)	(29)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	261	193	252	1,009	1,807
Exceptional Items					
Pre-tax Profit	261	193	252	1,009	1,807
Taxation	(77)	(58)	(70)	(262)	(470)
Exceptional Income - post-tax					
Profit After Tax	184	136	182	747	1,337
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	184	136	182	747	1,337
Recurring Net Profit	184	136	182	747	1,337
Fully Diluted Recurring Net Profit	184	136	182	747	1,337

Cash Flow

(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
EBITDA	255	164	331	1,263	2,125
Cash Flow from Invt. & Assoc.					
Change In Working Capital	131	(122)	539	(1,135)	(1,064)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow					
Net Interest (Paid)/Received	42	72	17	(40)	(29)
Tax Paid	(77)	(58)	(70)	(262)	(470)
Cashflow From Operations	350	57	818	(175)	563
Capex	(431)	(706)	(1,372)		
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(431)	(706)	(1,372)		
Debt Raised/(repaid)	261	341	1,000	(50)	(200)
Proceeds From Issue Of Shares	95	9	19		
Shares Repurchased					
Dividends Paid		(27)	(36)	(134)	(206)
Preferred Dividends					
Other Financing Cashflow	(29)	(61)	(99)	(115)	(137)
Cash Flow From Financing	327	263	884	(299)	(543)
Total Cash Generated	245	(386)	330	(474)	20
Free Cashflow To Equity	179	(308)	446	(225)	363
Free Cashflow To Firm	(38)	(588)	(456)	(60)	700

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Total Cash And Equivalents	486	282	1,161	802	959
Total Debtors	287	395	288	644	949
Inventories	1,009	1,090	673	1,370	2,134
Total Other Current Assets	319	312	223	487	707
Total Current Assets	2,101	2,080	2,345	3,303	4,748
Fixed Assets	442	444	2,928	2,714	2,424
Total Investments	118	133	133	133	133
Intangible Assets					
Total Other Non-Current Assets	610	1,318	110	110	110
Total Non-current Assets	1,170	1,896	3,171	2,957	2,668
Short-term Debt	1,223	1,468	1,468	1,468	1,468
Current Portion of Long-Term Debt					
Total Creditors	99	159	77	231	417
Other Current Liabilities					
Total Current Liabilities	1,322	1,627	1,545	1,699	1,885
Total Long-term Debt	154	251	1,251	1,201	1,001
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	26	30	30	30	30
Total Non-current Liabilities	180	281	1,281	1,231	1,031
Total Provisions	11	22	30	58	96
Total Liabilities	1,514	1,930	2,856	2,988	3,012
Shareholders Equity	1,758	2,046	2,661	3,273	4,404
Minority Interests					
Total Equity	1,758	2,046	2,661	3,273	4,404

Key Ratios					
	Mar-21A	Mar-22A	Mar-23F	Mar-24F	Mar-25F
Revenue Growth	(21.6%)	3.7%	(28.5%)	160.2%	66.3%
Operating EBITDA Growth	(36.2%)	(35.6%)	101.6%	281.4%	68.3%
Operating EBITDA Margin	5.4%	3.3%	9.4%	13.8%	14.0%
Net Cash Per Share (Rs)	(83.49)	(124.09)	(115.36)	(138.24)	(111.82)
BVPS (Rs)	164.60	176.68	196.96	242.30	326.01
Gross Interest Cover	5.11	2.00	2.38	9.10	13.40
Effective Tax Rate	29.5%	29.9%	27.7%	26.0%	26.0%
Net Dividend Payout Ratio		14.0%	14.5%	13.3%	11.4%
Accounts Receivables Days	25.53	25.34	35.54	18.63	19.14
Inventory Days	108.68	119.34	150.47	64.56	68.15
Accounts Payables Days	17.41	14.65	20.11	9.72	12.60
ROIC (%)	11.0%	4.7%	6.9%	25.3%	36.0%
ROCE (%)	7.7%	3.5%	5.1%	18.5%	28.6%
Return On Average Assets	7.2%	3.3%	4.9%	17.8%	26.8%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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