

India

Neutral (no change)

Highlighted Companies

Apex Frozen Foods Ltd

ADD, TP Rs385, Rs247 close

The company has excess capacity which is yet to be utilized for shrimp processing, but we will keep a close watch on the inventory in its books.

Avanti Feeds Ltd

REDUCE, TP Rs353, Rs387 close

Shrimp production, in our view, is going to shrink in India and hence, the company is headed towards a decline in its sales.

Coastal Corp Ltd

ADD, TP Rs1002, Rs237 close

The stock is undervalued, and the addition of the distillery segment has not been factored in current market - value.

Summary Valuation Metrics

P/E (x)	Mar22-A	Mar23-F	Mar24-F
Apex Frozen Foods Ltd	18.78	17.2	9.62
Avanti Feeds Ltd	22.84	25.52	17.53
Coastal Corp Ltd	19.48	8.37	3.44

P/BV (x)

	Mar22-A	Mar23-F	Mar24-F
Apex Frozen Foods Ltd	1.62	1.5	1.31
Avanti Feeds Ltd	2.78	2.56	2.29
Coastal Corp Ltd	1.34	1.15	0.9

Dividend Yield

	Mar22-A	Mar23-F	Mar24-F
Apex Frozen Foods Ltd	1.07%	0.58%	1.04%
Avanti Feeds Ltd	0.84%	0.78%	1.14%
Coastal Corp Ltd	0.99%	2.22%	5.26%

Analyst(s)



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Agribusiness

Shrimpopedia India Edition - Jan 2023

- India's shrimp exports saw a major slump in volume as well as value terms apart from market share loss in USA in Nov 2022, while Ecuador posted gains.
- China's shrimp imports continued to grow in Nov 2022, but the growth rate was at the lowest level in the calendar year with a sharp decline in the prices.
- USA shrimp prices showed weakness at \$9/kg. Indian shrimps in this market also witnessed lower prices, at \$8.7/kg, in Nov 2022.

USA's shrimp imports

In Nov 2022, USA's shrimp imports fell by 8.2% yoy to 64,014mt, in which India's share decreased by 28% yoy to 21,413mt while competitor Ecuador's share increased by 6.1% yoy to 14,885mt. Even in 11MCY22, USA's imports declined by 3.5% yoy to 7,79,283mt.

China's shrimp imports

The steady growth continues. In Nov 2022, China's imports grew 22% yoy to 85,918mt, in which India's share declined by 7% yoy to 7,486mt while competitor Ecuador increased its share by 22% yoy to 59,046mt.

Ecuador's shrimp exports

Ecuador's shrimp exports in Nov 2022 did not witness any momentum with yoy growth flat at 85,726mt.

India's shrimp exports

In Nov 2022, India witnessed a decline in shrimp exports to 57,132mt, down 8% yoy. In 11MCY22, export volume was down by ~5%. Exports lost pace during CY20 and then staged a revival in CY21, but CY22 turned out to be a year of consolidation in volume terms. India has been facing a shortage of shrimp, and it's a supply issue and not a demand problem as indicated by the strong uptick in pricing per kg which touched the level of ~US\$8/kg, the highest since CY18. However, Ecuador gaining market share currently at a lower cost is turning out to be a major problem.

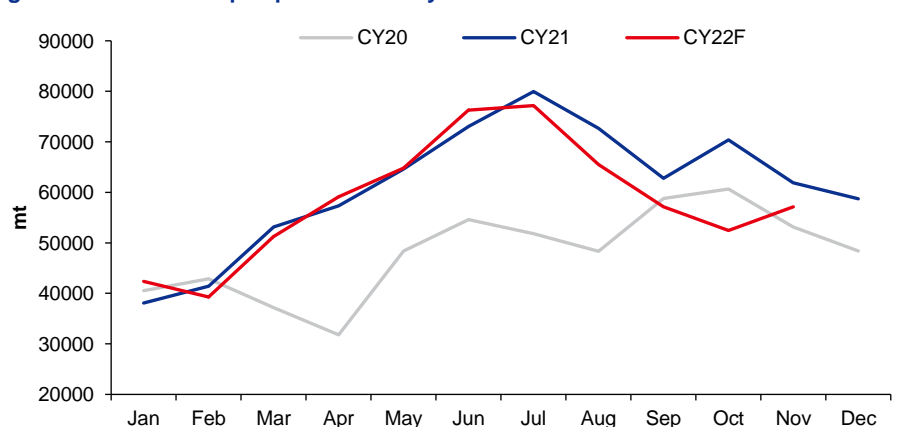
Major aqua sector update

Aquaconnect, South Asia's largest aqua farmers' network, raised US\$15m in the Series A funding round led by Lok Capital.

Our view

Export growth will be subdued with India's overall shrimp production declining as the prices are under pressure. With the market shrinking, the participants (farmers, feed manufacturers and processors) will point fingers at each other. There will be a new equilibrium evolving and the profitable equation is going to change. The current year is likely to be dynamic and full of challenges.

Figure 1: India's shrimp exports - monthly volume

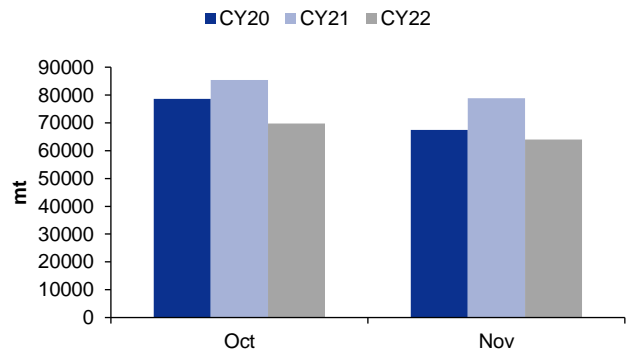


SOURCE: INCRED RESEARCH, COMPANY REPORTS

KEY CHARTS – USA’s shrimp imports in Nov 2022

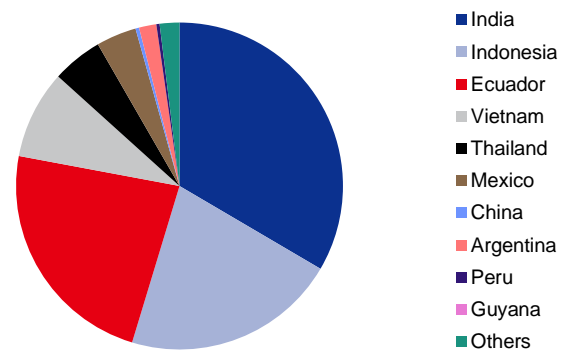
Monthly volume growth in Oct and Nov 2020, 2021, and 2022 ->

In Nov 2022, USA’s shrimp imports fell by 8.2% yoy to 64,014mt, in which India’s share decreased by 28% yoy to 21,413mt while competitor Ecuador’s share increased by 6.1% yoy to 14,885mt. Even in 11MCY22, shrimp imports declined by 3.5% yoy to 7,79,283mt.



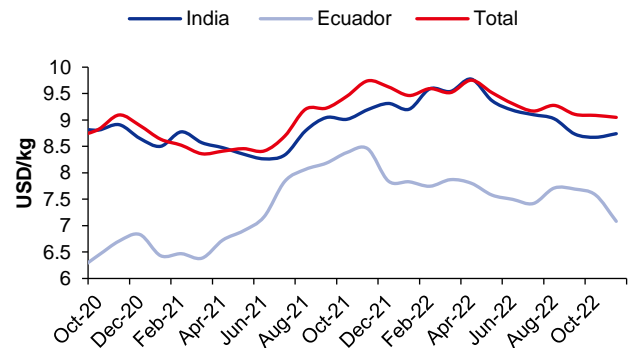
Monthly market share in Nov 2022 ->

The market share of India fell to 33% in Nov 2022, far away from the peak of 45% achieved in Oct and Nov 2019. Ecuador has climbed up the ladder, achieving a 23% market share, in line with previous months. Indonesia has now shifted to the third position with a 21% market share. Vietnam made a comeback at 9%, securing the fourth position. India, Ecuador, Indonesia, and Vietnam now hold a total ~87% share in USA’s shrimp imports.



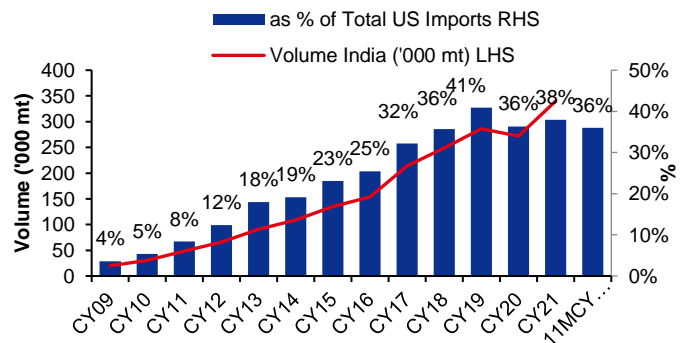
Monthly pricing growth ->

Overall prices remained flat. They topped the threshold of US\$9/kg for few months in a row in CY22 but are now back at US\$9.0/kg. Indian shrimp prices have slipped below the threshold of US\$9/kg since Sep 2022 to touch US\$8.7/kg.



USA’s shrimp imports from India ->

The annual export share of India was expected to be back on the growth track after the harvest of the first crop of CY23F. However, it seems unlikely now due to various reasons including the impending threat of a crop holiday.

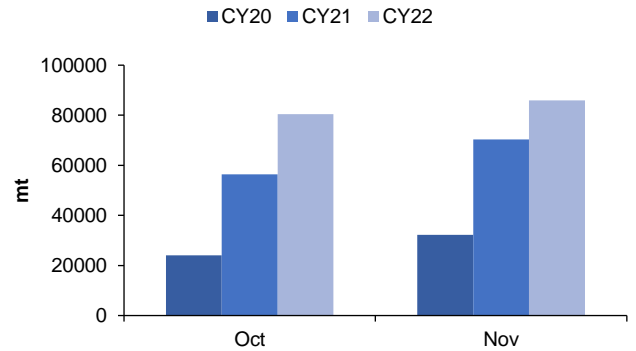


SOURCE: INCRED RESEARCH, COMPANY REPORTS

KEY CHARTS - China's shrimp imports in Nov 2022

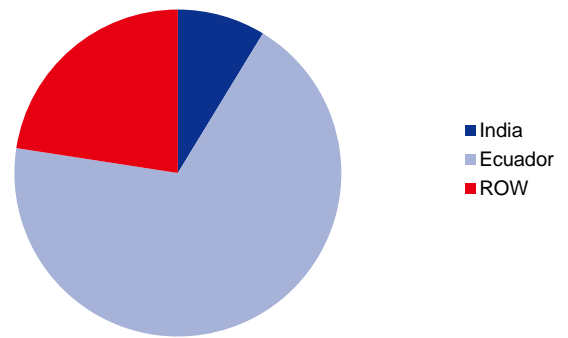
Monthly volume growth in Oct and Nov 2020, 2021, and 2022 ->

The steady growth continues. In Nov 2022, China's imports grew 22% yoy to 85,918mt, in which India's share declined by 7% yoy to 7,486mt while competitor Ecuador increased its share by 22% yoy to 59,046mt.



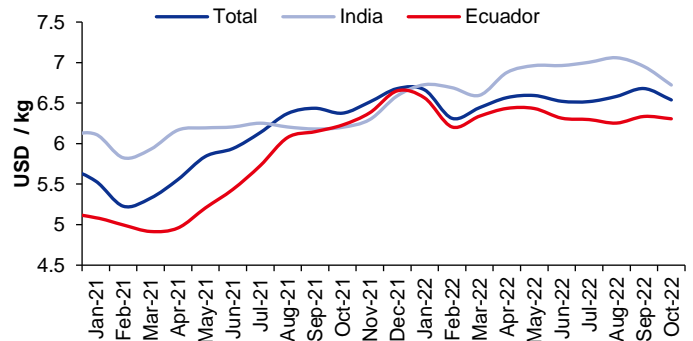
Monthly market share in Nov 2022 ->

The market share of India was down at 9% in Nov 2022, far away from the peak of 31% achieved in Jul 2021. Ecuador has climbed up the ladder, achieving a 69% market share, but below the previous month's share.



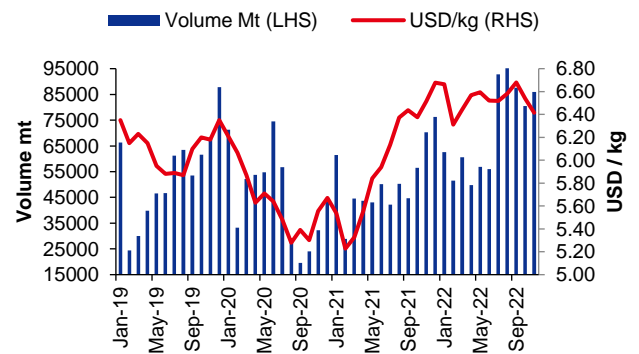
Monthly pricing growth ->

Overall prices remained firm and topped the threshold of US\$6/kg for few months in a row in CY22. However, Indian prices have fallen below the threshold of US\$7/kg in China's shrimp import basket.



China's shrimp imports ->

The annual export share of India was expected to be back on the growth track after the harvest of the first crop of CY23F, but now the crop holiday in India will have to be monitored. The flat terrain witnessed in CY22 was in line with low shrimp supply in India.

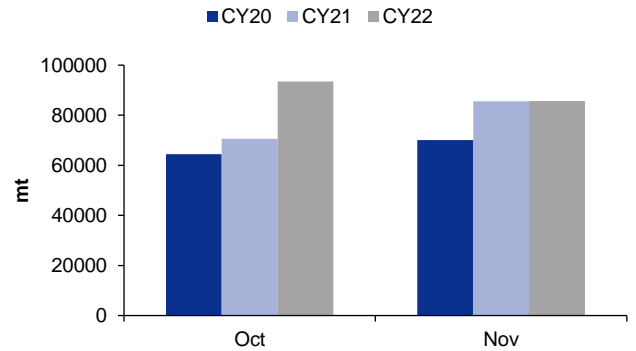


SOURCE: INCRED RESEARCH, COMPANY REPORTS

KEY CHARTS - Ecuador's shrimp exports in Nov 2022

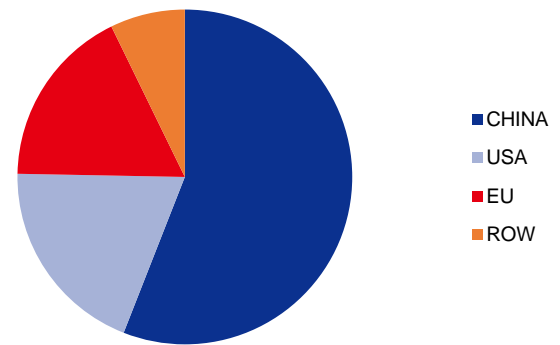
Monthly volume growth in Oct & Nov 2020, 2021 & 2022 ->

Ecuador's shrimp exports did not witness any momentum in Nov 2022 with yoy growth flat at 85,726mt.



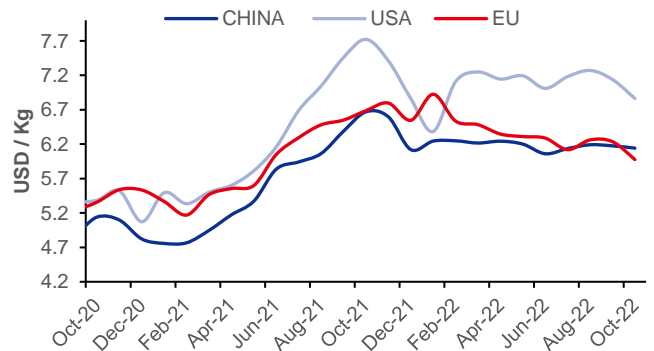
Monthly market share in Nov 2022 ->

China leads shrimp imports with a 56% share at 47,969mt, followed by USA at 19% and the EU at 18%. ROW was at 7%. We expect the market spreads between the importing countries to remain similar.



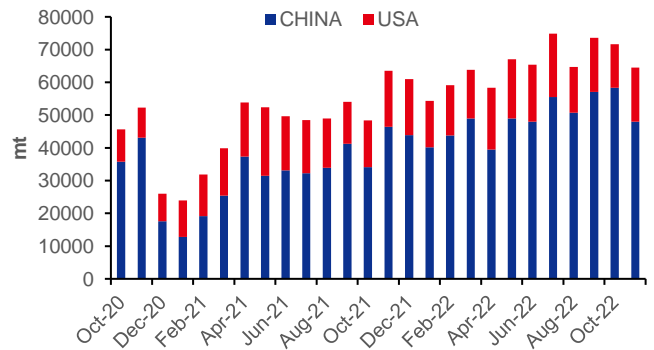
Monthly pricing growth ->

Overall shrimp prices have become weak at ~US\$5.8/kg in USA. Prices in China also dropped from the US\$6/kg mark.



Monthly volume movement in USA and China ->

We have seen exports to USA picking up when exports to China decline. This trend again shifted towards China as the geopolitical issues were resolved with Ecuador.

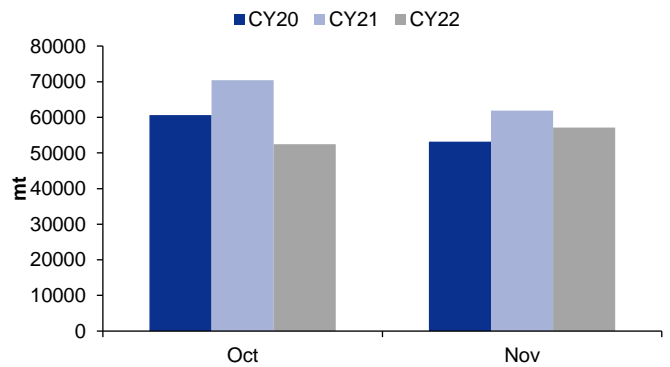


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KEY CHARTS - India's shrimp exports in Nov 2022

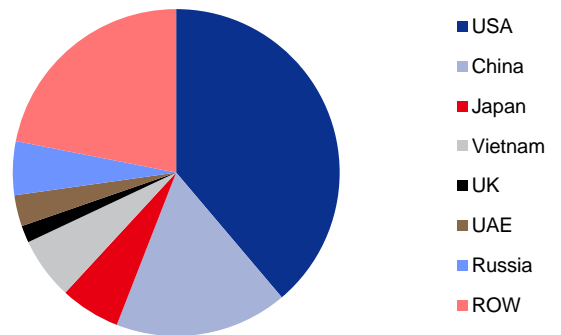
Monthly volume growth in Oct and Nov 2020, 2021 & 2022 ->

In Nov 2022, India witnessed a decline in shrimp exports to 57,132mt, down 8% yoy. In 11MCY22, the export volume was down by ~5%. Exports lost pace during CY20 and then staged a revival in CY21, but CY22 turned out to be a year of consolidation in volume terms. India has been facing a shortage of shrimp, and it's a supply issue and not a demand problem as indicated by the strong uptick in pricing per kg which touched the level of ~US\$8/kg, the highest since CY18. However, Ecuador gaining market share currently at a lower cost is turning out to be a major problem.



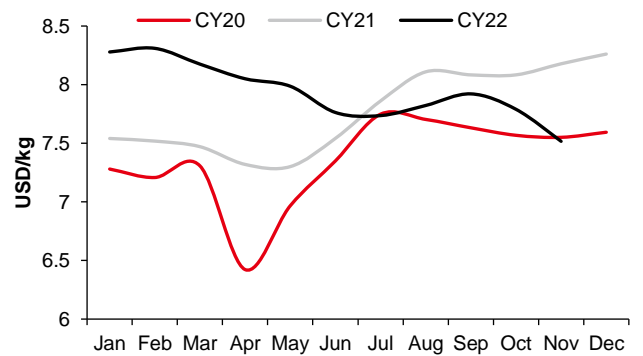
Monthly market share in Nov 2022 ->

USA leads with a 27% share, followed by China at 15%. Japan has a 5% share. ROW was at 32%.



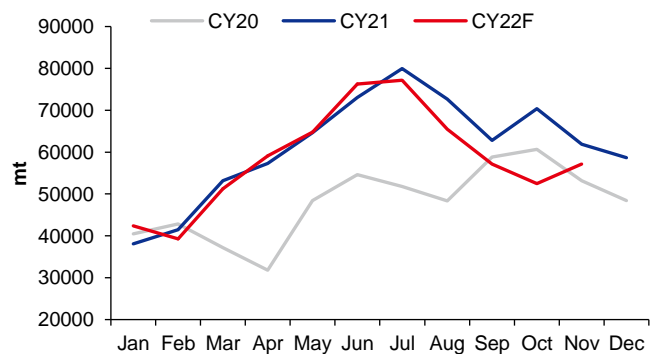
Monthly pricing growth since CY18 ->

Overall prices have turned weak after remaining firm and topping the US\$8/kg-mark, higher than in CY18, CY19, and CY20. For the month, the prices dipped to US\$7.5/kg.



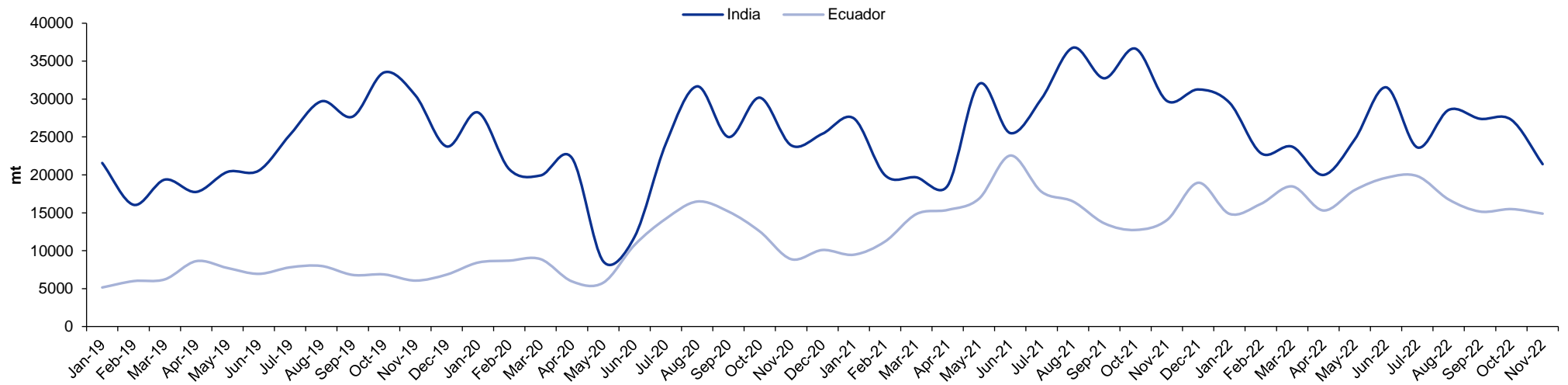
Monthly volume growth since CY20 ->

We expected a sharp pick-up once the first harvest of CY23F hits the shelves of processing plants. However, the crop holiday and geo-political tensions with China have dampened the prospects.



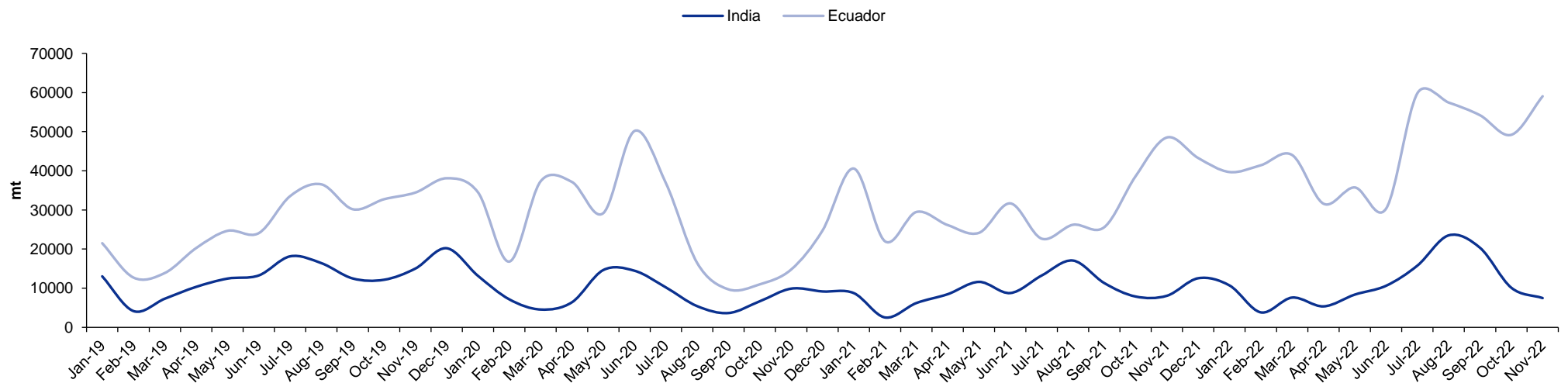
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: India vs. Ecuador shrimp volume share in USA (in mt)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: India vs. Ecuador shrimp volume share in China (in mt)



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Farm-gate prices in Andhra Pradesh (Rs/kg)

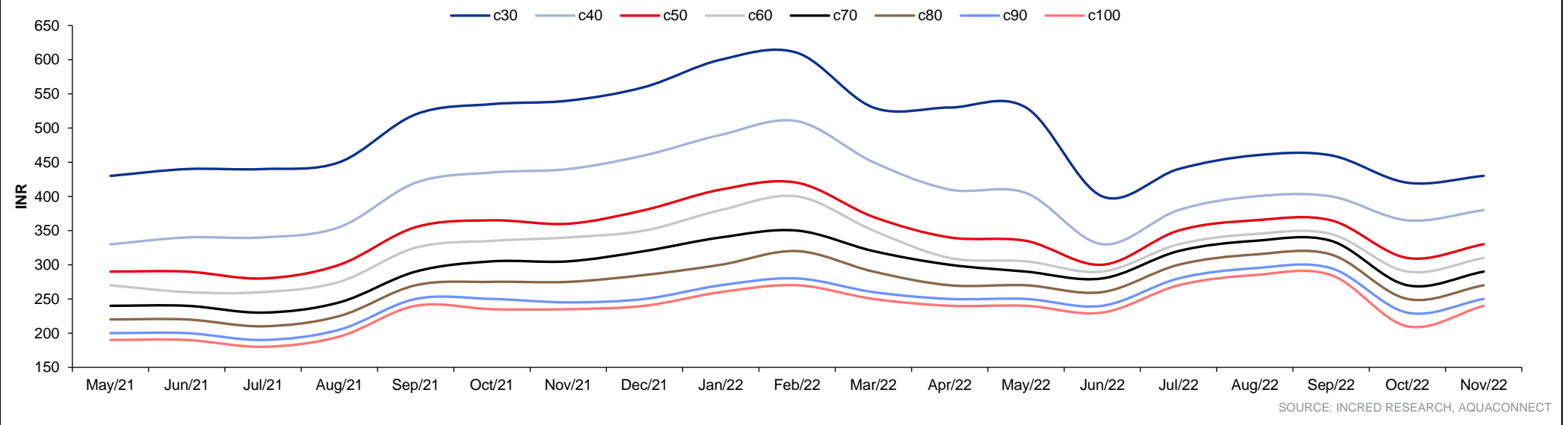
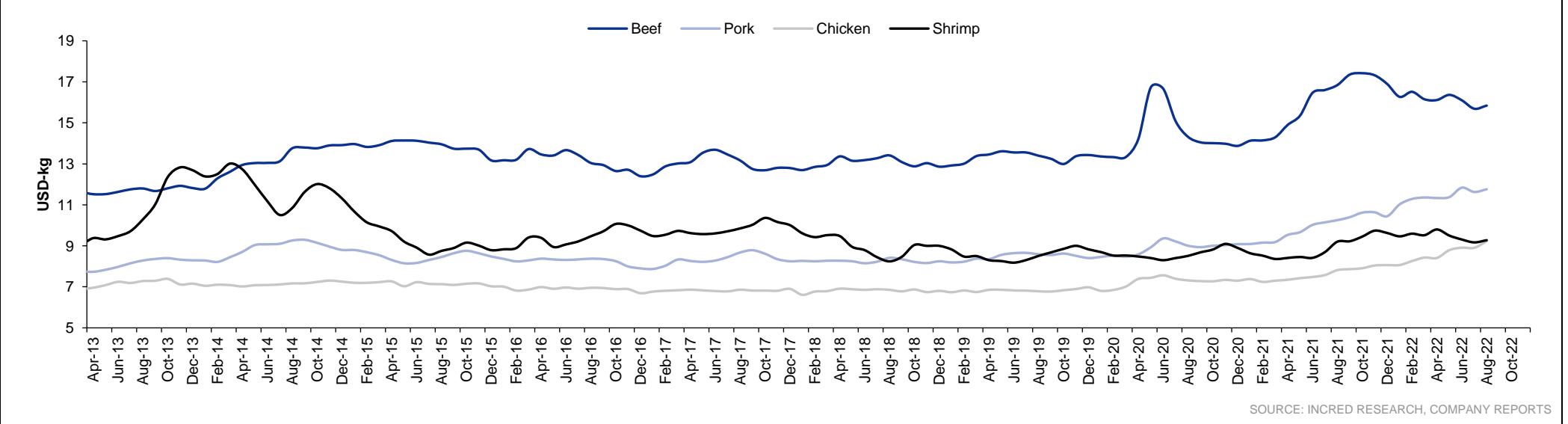


Figure 5: Comparative meat prices (US\$/kg)



Major aqua sector update

Aquaconnect raises US\$15m in the Series A funding round led by Lok Capital

- Aquaconnect, a full-stack aquaculture platform, on 28 Dec 2022 announced that it has raised US\$15m (Rs1.2bn) in the Series A funding round led by Lok Capital, with participation seen from Louis Dreyfus Company Ventures and Suneight Investment along with existing investors including Omnivore, AgFunder, Rebright Partners, Flourish Ventures, HATCH, and other debt investors.
- Aquaconnect will utilize the fresh funds to strengthen its portfolio of scalable solutions that use artificial intelligence or AI & satellite remote sensing and widen its service offerings in both the pre-harvest and post-harvest aquaculture value chain (to input retailers, seafood buyers and other stakeholders).
- Aquaconnect stated that it aims to grow stronger in the pre-harvest chain by tripling its AquaPartners network to amplify the impact across India. Currently, the company has a network of 500+ AquaPartners (rural entrepreneurs who provide last-mile assistance), serving over 90,000+ fish and shrimp farmers.
- “We’ve added about 500 AquaPartners in the last 12 months and this phygital network has helped us scale phenomenally across 6 major aquaculture production states. In the next 12 months, we are set to triple our AquaPartners’ network across India and optimize our service offerings.” said Mr. Rajamanohar Somasundaram, founder & CEO of Aquaconnect on the funding round.
- “We have been operating our domestic market linkages & overseas exports under stealth. As our pilots have shown great success, our team is geared up to scale the success we have achieved and enhance our B2B offerings in the next 12-18 months,” he added.
- “Aquaculture is a great means for smallholder farmers to enjoy significant upward economic mobility. While aquaculture might seem like a niche agritech space, it is the sunrise sector in India showing double-digit yoy growth with a US\$15bn market opportunity. However, the industry is hampered by inefficiencies in the value chain and poses a huge scope for tech disruption. Yet its true potential is untapped. Aquaconnect, with its deep-tech intervention, has the potential to disrupt the Indian aquaculture value chain and emerge as a key player in the growing blue food segment. We are excited to be a part of Aquaconnect’s growth, while it chases its aspiring goals and scales its operations in the domestic and global markets,” said Mr. Hari Krishnan, partner, Lok Capital.
- In Jul 2021, Aquaconnect had raised US\$4m in a pre-Series A round funding from Rebright, Flourish Ventures, and AgFunder.

Aquaconnect is a full-stack aquaculture platform with embedded fintech that uses satellite remote sensing and artificial intelligence or AI to enable aquaculture farmers, retailers, and seafood buyers to increase access to formal credit, farm inputs and post-harvest markets. Its unique deep-tech solutions supercharge the entire aquaculture value chain and help build predictability and transparency into the value chain, thereby making it efficient. Aquaconnect is funded by HATCH-Norway, India’s pioneer agritech VC Omnivore, Japan’s Rebright Partners, Flourish Ventures, AgFunder, 6G Capital, and Trifecta Capital.

Our view

Companies under our coverage:

- Apex Frozen Foods** – The company is a shrimp processor. We believe that shrimp processors will be least affected by the disruption in the industry, and they may even adopt the Vietnamese way of adding value to imported shrimp for further exports. However, in case of Apex Frozen Foods, the inventory reported at the end of 2QFY23 was on the higher side and hence, we remain cautious till this inventory is liquidated.
- Avanti Feeds** – The company is a processor of shrimp as well as a manufacturer of shrimp feed. We believe that shrimp processors will be least affected by the disruption in the industry, and they may even adopt the Vietnamese way of adding value to imported shrimp for further exports. We believe that feed manufacturers will be the most effected due to the disruption in the shrimp industry. Famers blame feed manufacturing companies and not political intervention for the disruption. We have downgraded our rating on the stock to REDUCE (from ADD earlier) mainly on account of a likely P/E derating.
- Coastal Corporation** – The company is a multi-location processor of shrimp and has started its journey in the grain ethanol distillation business. We believe that shrimp processors will be least affected by the disruption in the industry, and they may even adopt the Vietnamese way of adding value to imported shrimp for further exports, and given the company’s multi-location strategy, it can be one-up over its competitors. The company’s inventory position in 2QFY23 was comfortable. If the company can maintain a decent export growth rate, we feel it can outperform the industry in the short term. Its ethanol distillation division is on track to execute the 198klpd plant project in Odisha on time in Ethanol Year 2024F. We maintain an ADD rating on the stock and are optimistic about the company’s business prospects.

Figure 6: Peer comparison

Company	Bloomberg Ticker	Rating	Closing Price (LC)	Target Price (LC)	% Upside	Market Cap (US\$ m)	EPS			ROE%			P/E		
							FY22A	FY23F	FY24F	FY22A	FY23F	FY24F	FY22A	FY23F	FY24F
Apex Frozen Foods Ltd	APEX IN	ADD	246	385	57%	100	13.1	14.4	25.7	9.0%	9.0%	14.5%	18.8	17.1	9.6
Avanti Feeds Ltd	AVNT IN	REDUCE	389	353	-9%	664	18.5	15.5	22.1	13.8%	10.7%	13.8%	21.0	25.1	17.6
Coastal Corporation Ltd	CTW IN	ADD	235	1,002	326%	39	12.2	28.4	69	7.1%	14.7%	29.3%	19.3	8.3	3.4

SOURCE: INCRED RESEARCH

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any other material conflict of interest at the time of publication of the research report or at the time of public appearance	NO	NO
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