

India

Neutral (previously *Overweight*)

Highlighted Companies

Apex Frozen Foods Ltd

ADD, TP Rs385, Rs261 close

The increase in the company's production through its new plant in Ragampeta is currently not factored in. However, we will keep a close watch on the inventory in its books.

Avanti Feeds Ltd

REDUCE, TP Rs353, Rs400 close

A revision in margins to mean level is unlikely for the company as it is also in the feed segment. Consequently, the company must deal with the new market equilibrium and the new shrimp world order.

Coastal Corp Ltd

ADD, TP Rs1002, Rs258 close

The company's stock price remains massively underpriced given the huge scope in the operating segment (shrimp) and the embarking segment (distillery).

Summary Valuation Metrics

P/E (x)	Mar22-A	Mar23-F	Mar24-F
Apex Frozen Foods Ltd	19.83	18.17	10.16
Avanti Feeds Ltd	23.61	26.39	18.13
Coastal Corp Ltd	21.15	9.09	3.73

P/BV (x)	Mar22-A	Mar23-F	Mar24-F
Apex Frozen Foods Ltd	1.71	1.58	1.39
Avanti Feeds Ltd	2.88	2.65	2.37
Coastal Corp Ltd	1.46	1.24	0.98

Dividend Yield	Mar22-A	Mar23-F	Mar24-F
Apex Frozen Foods Ltd	1.01%	0.55%	0.98%
Avanti Feeds Ltd	0.81%	0.76%	1.11%
Coastal Corp Ltd	0.91%	2.04%	4.84%

Analyst(s)



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Agribusiness

Shrimpopedia India Edition | Dec 2022

- India's shrimp exports saw a major slump in volume as well as value terms apart from market share loss in USA in Oct 2022, while Ecuador posted gains.
- China's shrimp imports continue to go through the roof with its Oct 2022 imports at 80,433mt, mainly from Ecuador.
- USA shrimp prices showed weakness at \$9.1/kg. Indian shrimps in this market also witnessed lower prices, at \$8.7/kg, in Oct 2022.

USA's shrimp imports

In Oct 2022, imports fell by 18.3% yoy to 69,767mt, in which India's share decreased by 25.6% yoy to 27,261mt while competitor Ecuador's share increased by 21.6% yoy to 15,487mt. Even in 10MCY22, imports declined by 1.9% yoy to 7,15,270mt. The market share of India fell to 39% in Oct 2022, far away from the peak of 45% achieved in Oct 2021 and Nov 2019. Ecuador has climbed up the ladder, achieving a 22% market share, in line with previous months.

China's shrimp imports

The steady growth continues. In Oct 2022, China's imports rose 42% yoy to 80,433mt, in which India's share grew 29% yoy to 10,122mt while competitor Ecuador increased its share by 27% yoy to 49,202mt.

Ecuador's shrimp exports

Ecuador's shrimp exports continued to maintain their growth momentum at 93,476mt in Oct 2022. China leads shrimp imports from Ecuador with a 62.5% share at 58,396mt, followed by the European Union or EU at 18% and USA at 14%. Rest of the world or ROW was at 5%.

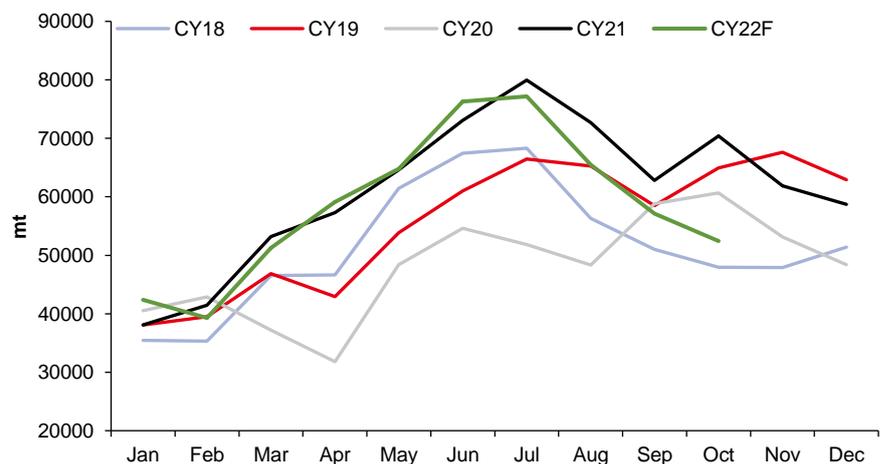
India's shrimp exports

In Oct 2022, India witnessed a decline in exports to 52,448mt, down 26% yoy, and at a four-year low for the month. In 10MCY22, export volume was down by ~5%.

Our view

Industry growth may come to a halt with the overall production of shrimp as well as its prices coming under stress. With the market shrinking, the participants (farmers, feed manufacturers and processors, etc.) will point fingers at each other for all the problems. There will be a new equilibrium evolving and the profitability equation is set to change. The year ahead is set to be dynamic and full of challenges.

Figure 1: India's shrimp exports - monthly volume

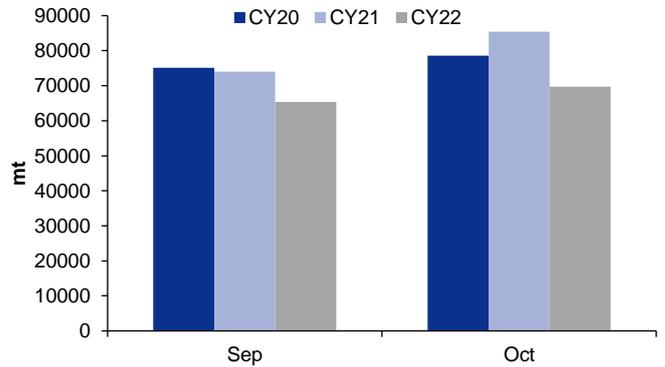


SOURCE: INCRED RESEARCH, COMPANY REPORTS

KEY CHARTS – USA’s shrimp imports in Oct 2022

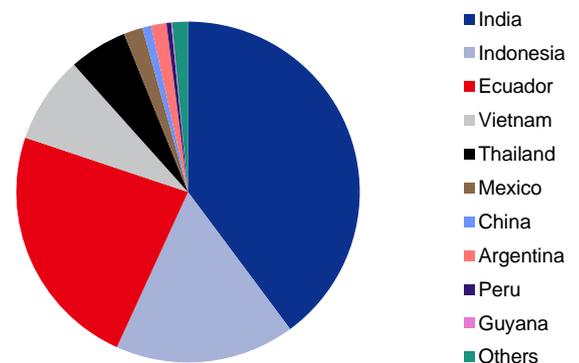
Monthly volume growth in Sep and Oct 2020, 2021, and 2022 ->

In Oct 2022, USA’s imports fell by 18.3% yoy to 69,767mt, in which India’s share decreased by 25.6% yoy to 27,261mt while competitor Ecuador’s share increased by 21.6% yoy to 15,487mt. Even in 10MCY22, imports declined by 1.9% yoy to 7,15,270mt.



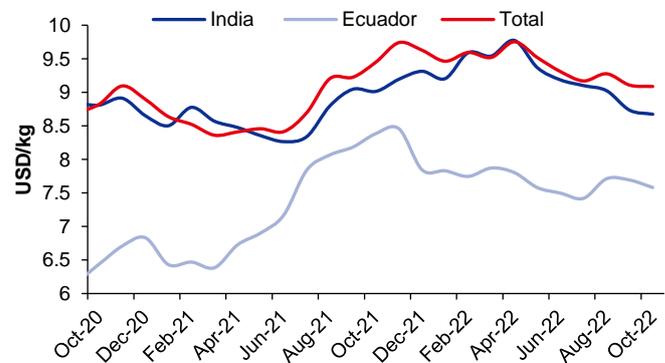
Monthly market share in Oct 2022 ->

The market share of India fell to 39% in Oct 2022, far away from the peak of 45% achieved in Oct and Nov 2019. Ecuador has climbed up the ladder, achieving a 22% market share, in line with previous months. Indonesia has now shifted to the third position with a 18% market share. Vietnam made a comeback at 7%, securing the fourth position. India, Ecuador, Indonesia, and Vietnam now hold a total ~87% share in USA’s shrimp imports.



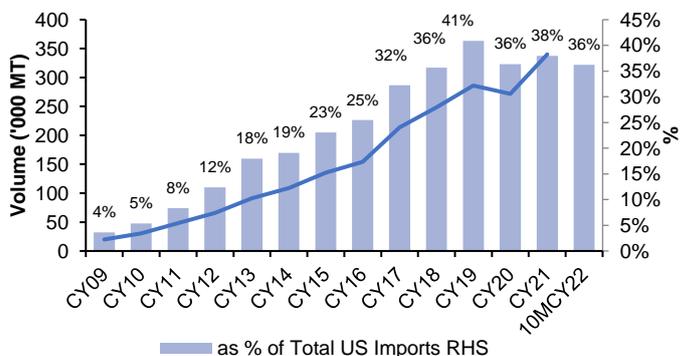
Monthly pricing growth ->

Overall prices remained flat. They topped the threshold of US\$9/kg for few months in a row in CY22 but are now at US\$9.1/kg. Indian shrimp prices have slipped below the threshold of US\$9/kg since Sep 2022 to touch US\$8.7/kg.



USA 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.

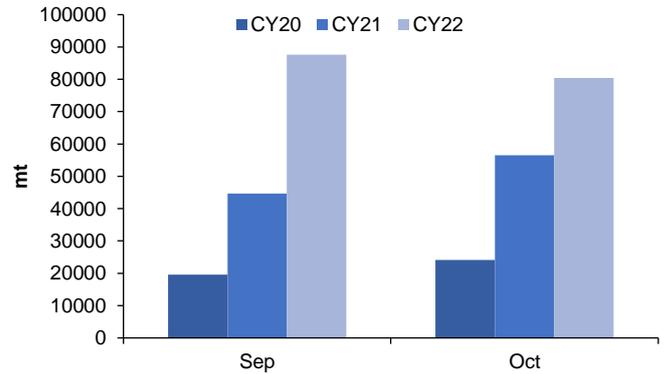


SOURCE: INCRED RESEARCH, COMPANY REPORTS

KEY CHARTS - China's shrimp imports in Oct 2022

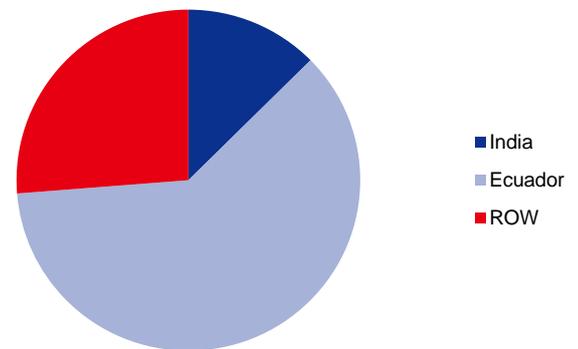
Monthly volume growth in Sep and Oct 2020, 2021, and 2022 ->

The steady growth continues. In Oct 2022, China's imports grew 42% yoy to 80,433mt, in which India's share rose 29% yoy to 10,122mt while competitor Ecuador increased its share by 27% yoy to 49,202mt.



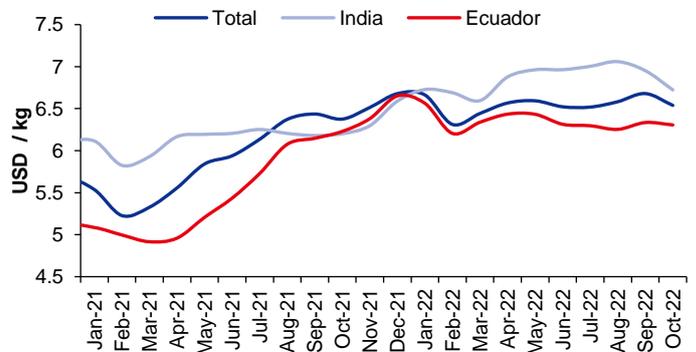
Monthly market share in Oct 2022 ->

The market share of India was down at 13% in Oct 2022, far away from the peak of 31% achieved in Jul 2021. Ecuador has climbed up the ladder, achieving a 60% market share, but below the previous month's share.



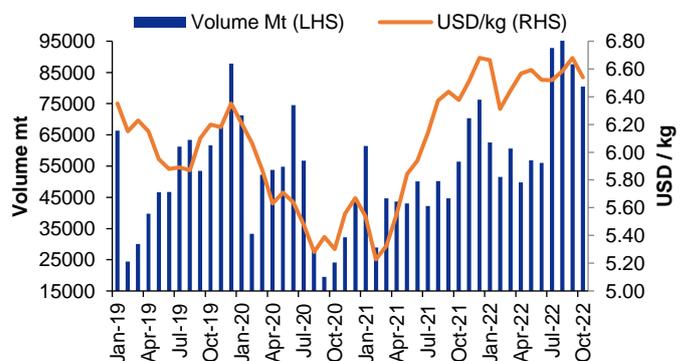
Monthly pricing growth ->

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 the country.

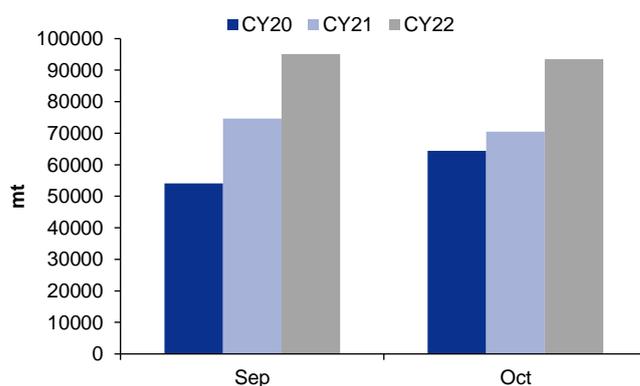


SOURCE: INCRED RESEARCH, COMPANY REPORTS

KEY CHARTS - Ecuador's shrimp exports in Oct 2022

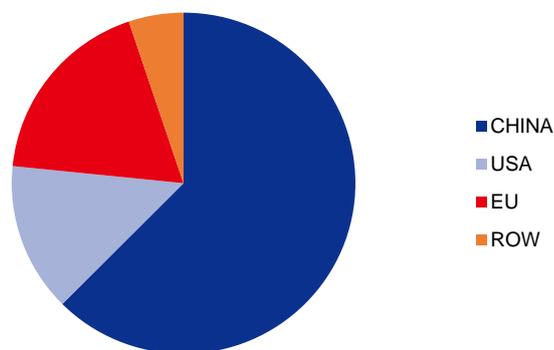
Monthly volume growth in Sep & Oct 2020, 2021 & 2022 ->

Ecuador's shrimp exports continued to witness growth momentum at 93,476mt in Oct 2022.



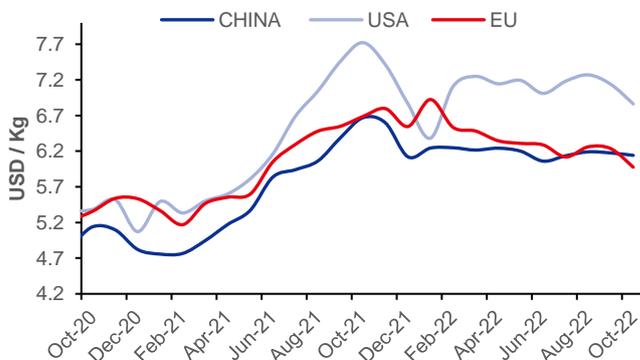
Monthly market share in Oct 2022 ->

China leads shrimp imports with a 62.5% share at 58,396mt, followed by the EU at 18% and USA at 14%. ROW was at 5%. We expect the market spreads between the importing countries to remain similar.



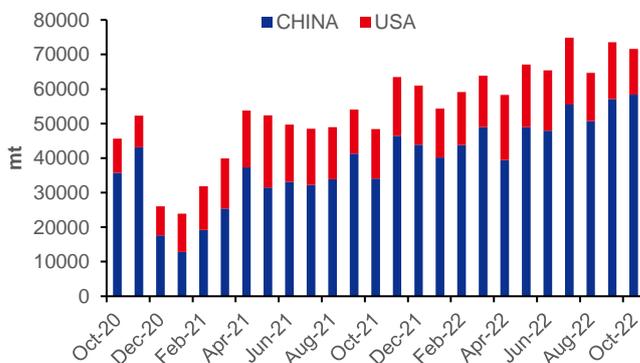
Monthly pricing growth ->

Overall shrimp prices remained firm at ~US\$7/kg in USA. Prices in China also topped 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.

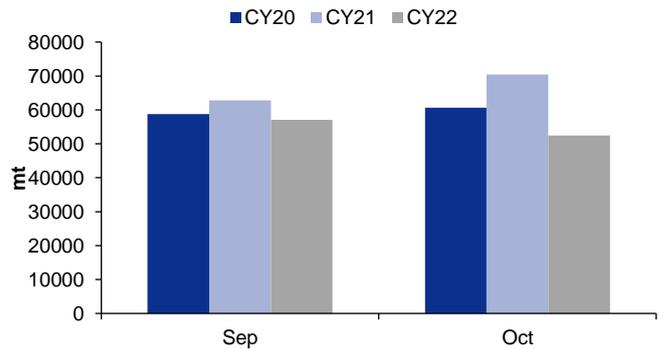


SOURCE: INCRED RESEARCH, COMPANY REPORTS

KEY CHARTS - India's shrimp exports in Oct 2022

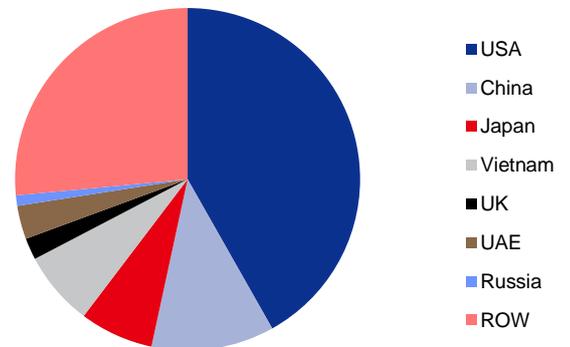
Monthly volume growth in Sep and Oct 2020, 2021 & 2022 ->

In Oct 2022, India witnessed a decline in exports to 52,448mt, down 26% yoy, and at a four-year low for the month. In 10MCY22, export volume was down by ~5%. Exports lost pace during CY20 and then staged a revival in CY21, but CY22F is turning to be a year of consolidation in volume. India has been facing a shortage of shrimp, and it's a supply issue and not 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.



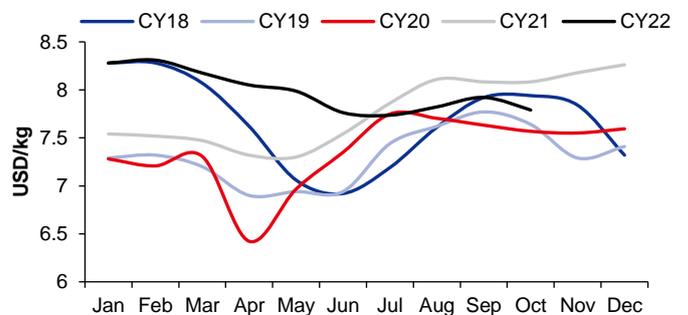
Monthly market share in Oct 2022 ->

USA leads with a 34% share, followed by China at 9%. Japan has a 6% share. ROW was at 32%.



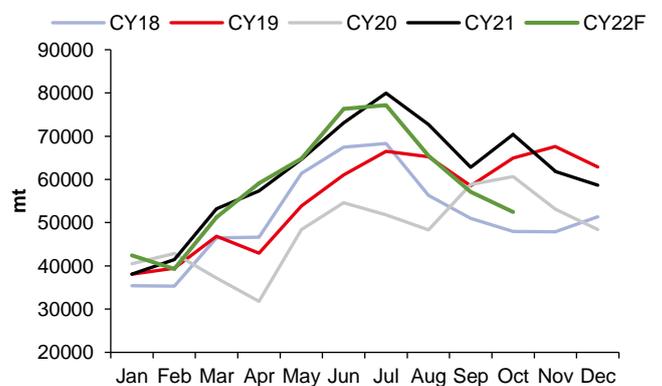
Monthly pricing growth since CY18 ->

Overall prices remained firm and topped the US\$8/kg-mark, higher than in CY18, CY19, and CY20 for the month, With strong demand for shrimps and the pumped-up farm-gate prices around the world, pricing would be a challenge, but a correction has begun with Oct 2022 prices at US\$7.79/kg.



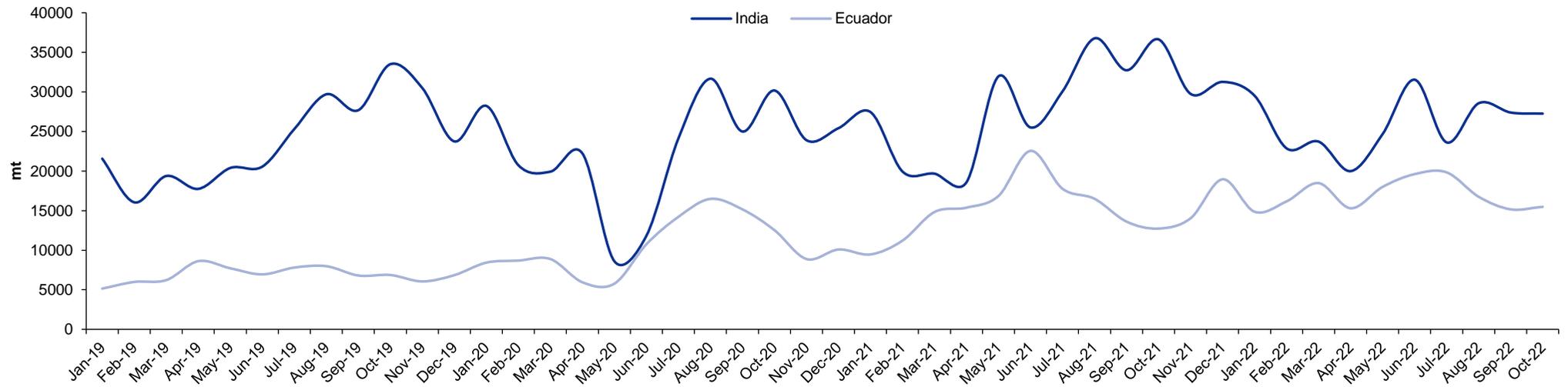
Monthly volume growth since CY18 ->

We expect 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.



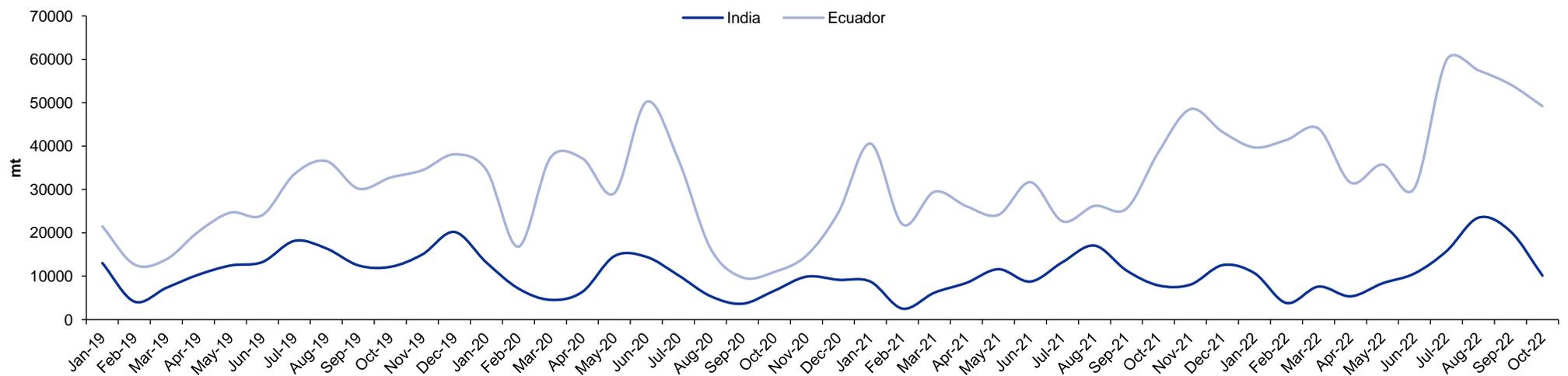
SOURCE: INCRED RESEARCH, COMPANY REPORTS

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)

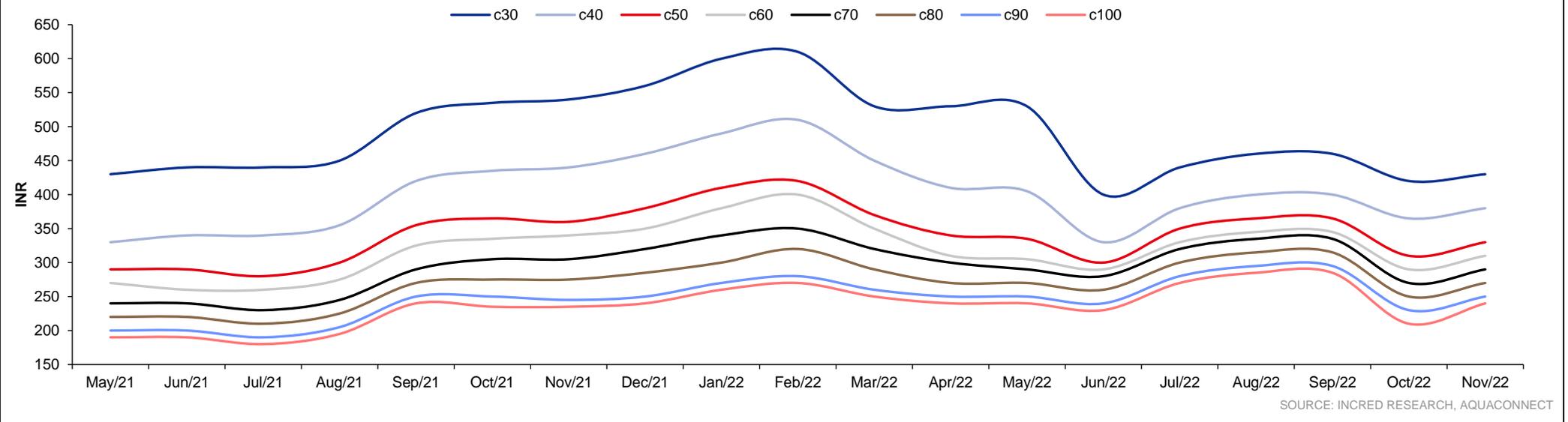
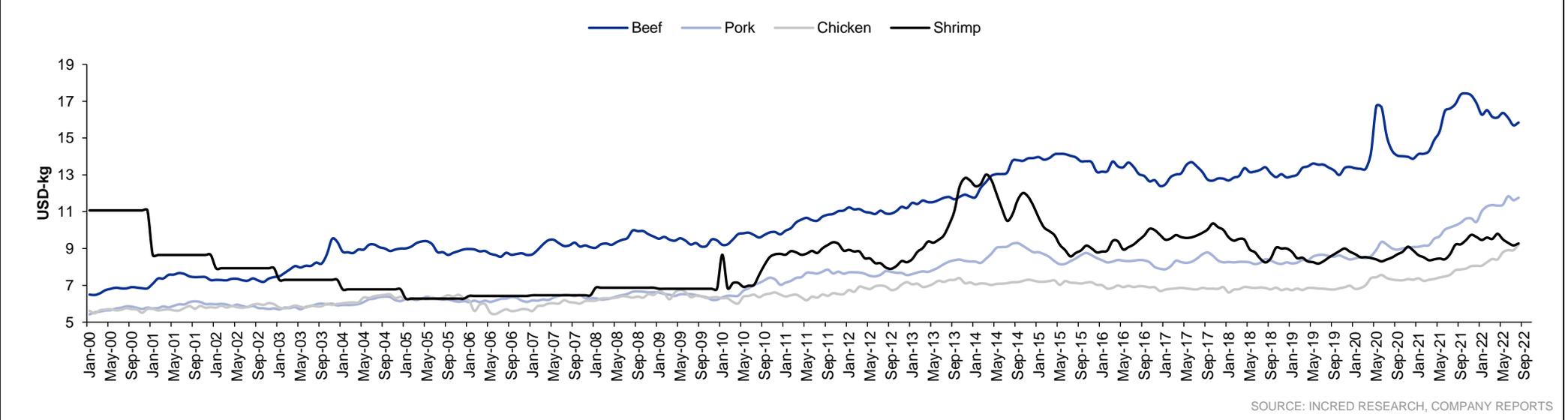


Figure 5: Comparative meat prices (US\$/kg)



Sector Rating

Neutral (previously Overweight)

The change in our stance to **Neutral** is in line with our view on the industry, which is seen shifting from the growth phase to the consolidation phase.

Companies under our coverage:

- **Apex Frozen Foods Ltd** – The company is a shrimp processor. We believe that 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 the 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. We retain ADD rating on the stock.
- **Avanti Feeds Ltd** – The company is a processor of shrimp as well as a manufacturer of shrimp feed. We have made our stance on the processing business clear above. We believe that feed manufacturers would be the most affected due to the disruption in the shrimp industry. Farmers 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 Ltd** – The company is a multi-location processor of shrimp and has started its journey in the grain ethanol distillation business. We have already stated our view on the shrimp processing segment 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 ADD rating on the stock and are optimistic about the company’s business prospects.

Figure 6: Peer comparison

Company	Bloomberg Ticker	Closing Price (LC)	Target Price (LC)	% Upside	Rating	Market Cap (US\$ m)	EPS			ROE%			P/E		
							FY22A	FY23F	FY24F	FY22A	FY23F	FY24F	FY22A	FY23F	FY24F
Apex Frozen Foods Ltd	APEX IN	264	385	46%	ADD	100	13.1	14.4	25.7	9.0%	9.0%	14.5%	20.2	18.3	10.3
Avanti Feeds Ltd	AVNT IN	399	353	-12%	REDUCE	664	18.5	15.5	22.1	13.8%	10.7%	13.8%	21.6	25.7	18.1
Coastal Corporation Ltd	CTW IN	262	1,002	282%	ADD	39	12.2	28.4	69	7.1%	14.7%	29.3%	21.5	9.2	3.8

SOURCES: 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
received any compensation from the subject company in the past twelve months for investment banking or merchant banking or brokerage services or investment advisory or depository or distribution from the subject company in the last twelve months for products/services other than investment banking or merchant banking or broker- age services or investment advisory or depository or distribution from the subject company in the last twelve months	NO	NO
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received any compensation or other benefits from the subject company or third party in connection with the research report	NO	NO
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