

India

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**Neutral** (no change)

**Highlighted Companies**

**Apex Frozen Foods Ltd**

**ADD, TP Rs323, Rs240 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 Rs354, Rs442 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 Rs842, Rs285 close**

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

**Summary Valuation Metrics**

P/E (x)	Mar22-A	Mar23-A	Mar24-F
Apex Frozen Foods Ltd	18.23	17.77	17.89
Avanti Feeds Ltd	26.06	21.58	49.45
Coastal Corp Ltd	23.4	53.09	9.36

P/BV (x)	Mar22-A	Mar23-A	Mar24-F
Apex Frozen Foods Ltd	1.58	1.46	1.36
Avanti Feeds Ltd	3.18	2.84	2.72
Coastal Corp Ltd	1.61	1.32	1.19

Dividend Yield	Mar22-A	Mar23-A	Mar24-F
Apex Frozen Foods Ltd	1.1%	0.56%	0.56%
Avanti Feeds Ltd	0.74%	0.93%	0.41%
Coastal Corp Ltd	0.82%	0.35%	2.14%

**Analyst(s)**

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# Agribusiness

## It's time for a relook at India's shrimp sector

- Shrimp demand grew at one of the fastest rates among the food/meat/seafood segments over the years, but Ecuador went on to raise its supply significantly.
- Demand for shrimp seems to have caught up, with the USA witnessing a yoy volume growth for the first time in CY23 (in Jul 2023).
- We believe it's time to ponder on putting shrimp back into the limelight.

### The downward slide

- Post Covid-19 pandemic lockdown, the consumption of shrimp started to normalize, and the production turned profitable again.
- The major producers, Ecuador and India, started registering gains again, but this time there was additional demand from China.
- However, Ecuador became over-ambitious backed by its former government and began to expand on a rapid scale, riding on the back of state subsidies.
- Ecuador's shrimp exports in CY20, CY21, CY22 and 7MCY23 stood at 678mmt, 843mmt, 1,063mmt and 708mmt, respectively.
- India's shrimp exports in CY20, CY21, CY22 and 6MCY23 stood at 576mmt, 734mmt, 704mmt and 324mmt, respectively.

### The appetite for shrimp is at the highest level, but not unlimited

- The major consumers, USA and China, witnessed a growth in shrimp imports over the years.
- USA's shrimp imports in CY20, CY21, CY22 and 7MCY23 stood at 747mmt, 896mmt, 841mmt and 431mmt, respectively.
- China's shrimp imports in CY20, CY21, CY22 and 7MCY23 were at 545mmt, 611mmt, 876mmt and 593mmt, respectively.
- The shrimp market equation was breached because of sustained oversupply in recent years.

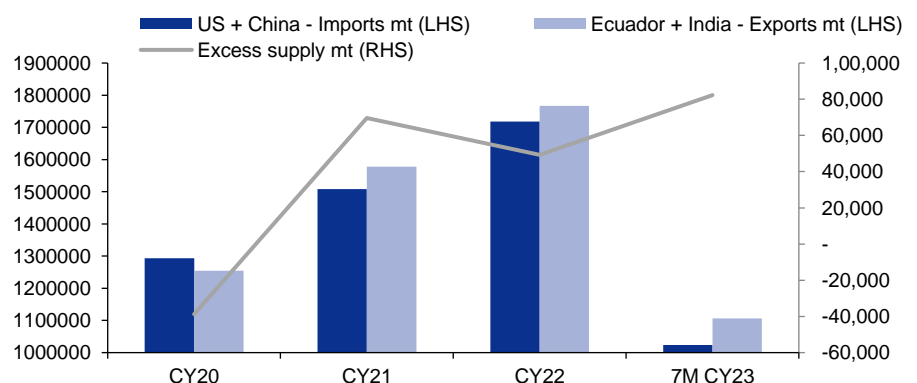
### A glimmer of hope for India's shrimp industry

- With China continuing to absorb excess shrimp supply, the USA market, after witnessing a steady drop for the last six months in CY23, turned positive, importing 70mmt in Jul 2023, a yoy growth of 2.5%.
- As the demand improves, the major supplier, Ecuador, will start crying although we don't know how long the cries will last. However, one thing is sure that till the cries last, the country's shrimp industry will remain affected.
- Whenever political normalcy returns to Ecuador, the country's shrimp lobby will not be as strong as it was when it was under the former government before its collapse.

### Our view

- The written-off Indian shrimp industry should be relooked as the demand catches up and the major competitor, Ecuador, catches a cold.
- We remain highly positive on shrimp processors rather than shrimp feed manufacturers.

**Figure 1: Mapping excess supply in the market - between major exporters and importers of shrimp in mt; Jul 2023 numbers in the case of Indian exports are assumed**



SOURCE: INCRED RESEARCH, COMPANY REPORTS

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