

Expovan: Assigned

Name of the Instrument	Amount (Rs Crore)	Ratings/Outlook
PCFC/EPC [^]	25.00*	SMERA BB-/Stable (Assigned)
PCFC/EPC [^]	25.00*	SMERA A4+ (Withdrawn)

* EBR/FBDN/LC/BG of Rs. 10.00 crore and Cash Credit of Rs. 2.00 crore – sub limit within PCFC/EPC

[^]Packing Credit in Foreign Currency/Export Packing Credit

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and withdrawn short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the abovementioned bank facilities of Expovan. The outlook is '**Stable**'. The ratings derive comfort from the extensive industry experience of the promoter and healthy relations with customers and suppliers. The ratings also factor in the healthy revenue visibility supported by confirmed orders in hand. However, the ratings are constrained by the nascent stage of operations, high gearing and working capital intensive business.

Expovan, established in 2014, is a Tamil Nadu-based firm engaged in the processing of vanilla beans, extract, powder seeds and other related products. The firm benefits from its experienced management. Dr. Mahendran, Promoter has an experience of over a decade in vanilla processing which has helped get orders from reputed companies such as Firmenich (Switzerland), Mc Cormick & Company (United States) and Vanipro (France). The firm has healthy order book of around ~Rs.129.00 crore to be executed.

However, the firm has modest scale of operations with gross revenues of around ~Rs. 26.00 crore during September, 2015 to March, 2016 (provisional). The firm's gearing stands high at around 2.31 times as on March 31, 2016 (provisional). However the firm has introduced capital of Rs.8.50 crore on June 6, 2016. SMERA believes that going forward the gearing will improve with infusion of funds.

The firm has working capital intensive operations marked by GCA days of around 242 in FY2016 (provisional) with inventory days of around 100. Further, the working capital limit's average utilisation stands at around 95 per cent during January to June, 2016.

Rating Sensitivity Factors

- Scaling up operations and profitability
- Efficient working capital management
- Comfortable capital structure

Outlook-Stable

SMERA believes that the outlook on Expovan's rated facilities will remain stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' if the firm registers sustained growth in revenue while improving profit margins. Conversely, the outlook may be revised to 'Negative' in case of steep decline in the operating profit margins or significant deterioration in the capital structure on account of larger than envisaged debt funded capex and working capital borrowings.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Firm

Established in 2014 as a proprietorship concern, Expovan was converted into a partnership firm in 2015 by partners, Mr. Dr. R. Mahendran and Mrs. N. Kamatchiammal of Coimbatore, Tamil Nadu. The firm is engaged in the manufacture of processed vanilla beans, extract, powder, seeds and other related products and commenced operations from September, 2015.

Rating History

Date	Name of the Instrument	Size of the Issue (Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
15 Feb, 2016	PCFC/EPC (Packing Credit in Foreign Currency/Export Packing Credit)	25.00	-	SMERA A4+	-

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ABOUT SMERA

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