

Press Release

Vintage Coffee Private Limited (VCPL)

22 December, 2017

Rating Reaffirmed and Assigned



Total Bank Facilities Rated	Rs. 80.17 crore
Long Term Rating	SMERA B/Stable
Short Term Rating	SMERA A4

** Refer Annexure for details*

SMERA has reaffirmed the long-term rating of **'SMERA B' (read as SMERA B)** on the Rs.51.17 crore facilities and assigned **'SMERA B' (read as SMERA B)** and short-term rating of **'SMERA A4' (read as SMERA A4)** on Rs. 29.00 crore on the bank facilities of Vintage Coffee Private Limited (VCPL). The outlook is **'Stable'**.

Vintage Coffee Private Limited, was incorporated as a private limited company in 2015 by Mr. T. Balakrishna, Mr. Mohit Rathi, Mr. Michael Chin and Mr. Vishal Jethalia. The company has set-up an instant coffee plant in Secunderabad, Telangana, with an installed capacity of 4500 MT per annum. Total estimated project cost is Rs. 82.24 crore. The operation of the company was expected to commence from August 2017.

List of key rating drivers and their detailed description:

Strengths

Long experience of the promoters in the coffee industry: The management of Vintage Coffee Private Limited (VCPL) has extensive experience in the coffee industry. The promoters, Mr. T. Balakrishna, Mr. Mohit Rathi, Mr. Michael Chin and Mr. Vishal Jethalia have been in the business for the past 30 years. It has helped the promoters develop long-term relations with customers.

SMERA believes that VCPL will continue to benefit from its experienced management.

Revenue visibility: The company has a confirmed order book of supply of instant coffee annually in the range of 1200 MT (approx. Rs. 46 crore) to M/S Coffee Company Hors, Russia (Micco Foods) and 500 to 600 ton per annum (approx. Rs. 19.50 crore) to M/S Vokrug Sveta. Thus, the entity has healthy revenue visibility in the medium-term.

Weaknesses

Execution risk related to project: The estimated project cost for setting up the plant of Rs. 82.24 crore. Initially the operation of company was expected to commence from June 2017. However, the company started trial production in July and operations were expected to start in August. The company would be able to generate revenues in FY18. The licensing formalities are completed and construction is complete. Any delay in implementation would lead to significant strain on the completion of the project and its debt servicing ability.

Susceptible to foreign exchange fluctuations: VCPL plans to export its products to Russia and Africa. Therefore, profit margins will be susceptible to fluctuations in forex rates.

Analytical approach

SMERA has considered the standalone business and financial risk profile of VCPL.

Outlook: Stable

SMERA believes VCPL will maintain a stable business risk profile in the short-term owing to extensive experience of the promoters in the coffee industry. The outlook may be revised to 'Positive' if the company successfully completes the project on time and generates adequate cash flow and profits. Conversely, the outlook may be revised to 'Negative' in case there are delays in project and significant deterioration in revenue, profitability and capital structure.

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Manufacturing entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Rating history (last three years):

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
08-Aug, 2016	Term Loan*	Long Term	51.17	SMERA B/Stable (Assigned)

**Import letter of credit/buyer as sublimit of Term loan of Rs. 12.00 crore.*

**Inland Letter of credit limit as sublimit of Term loan of Rs.8.00 crore.*

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term Loan	NA	NA	NA	51.17	SMERA B/ Stable (Reaffirmed)
PC/PCFC*	NA	NA	NA	25.00	SMERA A4 (Assigned)
Letter of Credit	NA	NA	NA	4.00	SMERA A4 (Assigned)

*Includes sublimit of Foreign Documentary Bill Purchased, Foreign Usance Documentary Bill Purchased (FBDP)/ (FUDBP) (FCBRD) which is fully interchangeable.

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ABOUT SMERA

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