

Press Release

Vintage Coffee Private Limited

December 27, 2018

Rating Downgraded



Total Bank Facilities Rated*	Rs. 80.17 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE B/Indicative)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded long-term rating to '**ACUITE D**' (read as **ACUITE D**) from ACUITE B (read as **ACUITE B**) and short term rating to 'ACUITE D' (read as ACUITE D) from ACUITE A4 (read as **ACUITE A four**) to the Rs. 80.17 crore bank facilities of Vintage Coffee Private Limited (VCPL).

VCPL is a Hyderabad based company incorporated in 2015. The company is promoted and managed by Mr. Tati Balakrishna and Mr. Michael Chin who have vast corporate experience in Coffee and tea manufacturing and trading business of over two decades. With the experience, the management has set up a 100 percent export-oriented unit to manufacture various varieties of soluble instant coffee, including spray dried coffee, spray dried agglomerated coffee in bulk and standard packages.

VCPL's manufacturing facility is located at Rachur village in Mahbubnagar District (Telangana) with an installed capacity of 4500 tons per annum. VCPL commenced its operations during August 2017. The company processes and exports its coffee Products to markets in major coffee consuming nations such as Russia, Poland, France, Malaysia and European countries. The company has quality certifications including ISO 22000-2005 and FSSAI. The manufacturing facility is setup in 23 acres of land with built up area of 1.5 lakh sqft.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of VCPL to arrive at the rating

Key Rating Drivers

Strengths

- **Strong promoters and experienced management team**

VCPL's promoters and the management team have more than two decades experience in the coffee industry enabling the company to carry out its operations with focused guidance. The promoters have good networking of client base that is expected to support in early stabilisation of its operations both in the domestic and export markets. VCPL also has a long standing relationship with its suppliers, thus, mitigating the risk of raw material availability to a large extent. Acuite believes that though the operations are at nascent stage, however, VCPL is expected to benefit from the experienced management team over the medium term.

- **Successful completion of the project and commencement of production**

The manufacturing facility commenced operations in August 2017 with a total capacity of 4500 MTPA. The facility was set up at a total cost of Rs.82.24 crore which was funded by Rs.51.17 crore term loans and balance through promoters' contribution. The operations have started in a timely manner in August 2017.

Weaknesses

- **Weak liquidity profile resulting in delays in debt servicing**

The company has been delaying in servicing of its loan obligations. As on November 29, 2018, the overdues in the loan facilities are of more than 30 days. The delays are due to recent commencement of operations, huge debt-funded capex, modest revenues and low cash accruals.

• Below-average financial profile

The financial risk profile of the company is below-average marked by weak capital structure reflected by high gearing (debt-to-equity), high total outside liabilities to tangible net worth (TOL/TNW), and moderate debt protection metrics. The gearing and TOL/TNW are high at 3.25 times and 3.48 times as on March 31, 2018. The net worth is modest at Rs.27.03 crore as on 31 March, 2018. The debt protection metrics of interest coverage is moderate at 1.58 times, though net cash accrual to total debt (NCA/TD) is weak at 0.03 times in FY2018. The financial risk profile is attributed to large debt-funded capital expenditure of Rs.82.24 crore at a debt to equity of 3:1 for setting up of the coffee processing plant. The project is funded out of term loan of Rs.51.17 crore, and balance out of promoters' capital. As the operations are at nascent stage, the financial risk profile is expected to be at similar levels over the medium term.

• Nascent stage of operations

The company commenced its commercial operations from August 2017; hence is at nascent stage of operations exposed to stabilisation risk. Further, it remains exposed to the risks associated with stabilisation and successful scale up of operations of the plant. In addition to the nascent stage of operations, intense competition is expected to constrain the business risk profile of the company. VCPL reported modest revenues of Rs.17.04 crore in FY2018 with a net loss of Rs.1.70 crore. Although, revenues are expected to improve supported by promoter's presence in the industry for over two decades, early stabilisation and generation of healthy cash accruals are key rating sensitivity factors over the near term.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)
Operating Income	Rs. Cr.	17.04
EBITDA	Rs. Cr.	5.81
PAT	Rs. Cr.	-1.70
EBITDA Margin	(%)	34.09
PAT Margin	(%)	-9.95
ROCE	(%)	4.22
Total Debt/Tangible Net Worth	Times	3.25
PBDIT/Interest	Times	1.58
Total Debt/PBDIT	Times	14.70
Gross Current Assets (Days)	Days	1038

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
26-Oct-2018	Letter of Credit	Short Term	4.00	ACUITE A4 (Indicative)
	Packing Credit	Short Term	25.00	ACUITE A4 (Indicative)
	Term Loan	Long Term	51.17	ACUITE B (Indicative)

22-Dec-2017	Term Loan	Long Term	51.17	ACUITE B/Stable (Reaffirmed)
	Packing Credit	Short Term	25.00	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE A4 (Assigned)
08-Aug-2016	Term Loan	Long Term	51.17	ACUITE B / Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE D (Downgraded from ACUITE A4)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE D (Downgraded from ACUITE A4)
Term Loan	Not Applicable	Not Applicable	Not Applicable	51.17	ACUITE D (Downgraded from ACUITE B/ Indicative)

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About Acuité Ratings & Research:

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