

Press Release

Malenadu Planters Coffee Curing Works Private Limited

March 27, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 10.27 Cr.
Long Term Rating	SMERA B- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-**' (read as **SMERA B minus**) on the Rs. 10.27 crore bank facilities of Malenadu Planters Coffee Curing Works Private Limited. The outlook is '**Stable**'.

Malenadu Planters Coffee Curing Works Private Limited (Malenadu), a Karnataka-based company established in 1971 is engaged in the processing of coffee.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The promoters of the company, Mr M S C Indavara, Mr M Poornesh and H D Rame Gowda have more than two decades of experience in the coffee processing industry.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by gearing of 1.23 times and interest coverage of 2.70 times in FY2016. The Debt Service Coverage Ratio stood at 2.31 times and Net Cash accruals to total debt at 0.07 times in FY2016. The networth is comfortable at Rs.4.33 cr as on 31st March, 2016.

Weaknesses

- **Agro climatic risks**

The company is exposed to agro climatic risks.

- **Small scale of operations**

The revenue stood at Rs 1.49 cr in FY2016 as against Rs 1.66 cr in FY2015. Till January '17 (Provisional) the company registered revenue of around Rs 1.5 cr.

- **Declining profit margins**

The operating margin stood at 5.16 per cent in FY2016 as against 23 per cent in FY2015. The fall in margin was due to rise in employee costs and other manufacturing and administrative expenses. The net profit margin stood at 16.55 per cent in FY2016 compared to 28.85 per cent in FY2015.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that Malenadu will maintain a 'Stable' outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' if the company achieves the envisaged sales and profitability while improving its financial risk profile. Conversely the outlook may be revised to 'Negative' if it fails to achieve the scalability and profitability or if the financial risk profile deteriorates owing to higher-than-expected working capital requirements/debt funded capex.

About the Rated Entity - Key Financials

For FY2015-16, Malenadu reported Profit after tax (PAT) of Rs.0.25 cr on operating income of Rs.1.49 cr as compared with PAT of Rs.0.48 cr on operating income of Rs.1.66 cr in FY2014-15.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B- / Stable
Term loans	Not Applicable	Not Applicable	31-Jan-2019	0.27	SMERA B- / Stable

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ABOUT SMERA

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Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

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