

Rating Report

Brickwork Ratings assigns 'BWR B+' & 'BWR A4' for the Bank Loan Facilities aggregating to ₹6.50 Cr of Amrutha Coffee Pvt. Ltd.

Brickwork Ratings has assigned following **Ratings**¹ for the bank loan facilities of Amrutha Coffee Pvt. Ltd.

Facility	Limit (₹Cr)	Tenure	Rating
Fund Based Cash credit	5.00	Long Term	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable
Non-Fund Based Letter Of Credit	1.50	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	6.50	INR Six Crores and Fifty Lakhs only	

BWR has essentially relied upon audited financial results up to FY14, projected financials for FY15 & FY16, publicly available information and information provided by the management.

The rating, inter alia, factors Promoters experience in the coffee processing and packing business, improved profit margins, efficient operating cycle, low leverage and strong coverage ratios due to low external borrowings. However, the rating is constrained by high customer concentration risk, seasonality of revenues low margins inherent to the commodity trading business and high competition in the sector.

Background:

Amrutha Coffee Private Limited started in the year 1999 as a proprietorship firm by Mr. Ramasamy and reconstituted into a private limited company in the year 2012. The coffee processing plant is located in Kushal Nagar, Karnataka. Mr. Ramasamy, Mr. R. Sundaram and Mr. Kannan are the directors of the company.

The company is into processing, cleaning, coloring, packing of coffee seeds and selling it to customers like ITC, Ruchi Soya Industries limited and others. It also provides information of fluctuating Coffee prices, distributes Gunny bags and cultivation advice to growers of seeds.

Credit Risk Determinants:

Experienced promoters: The trading and processing unit of coffee seeds is in existence for more than 15 years which was started by Mr. N. Ramasamy as a proprietorship firm and subsequently reconstituted as a private ltd. He is a Managing Director of Amrutha Coffee Pvt Ltd who has immense experience of more than 40 years and Mr. Kannan – Director of the

¹ Please refer to www.brickworkratings.com for definition of the Ratings

company has more than 20 years of experience in the same line of business, implies that the management has seen complete business cycle and able to manage its business in different economic conditions.

Increasing revenues : Operating revenues of the company has increased substantially by 181 % in FY 14 due to high demand for the product.

Low long term debt : In FY14, There is negligible long term borrowings reflected in Long Term Debt:Equity ratio of 0.01 times and strong interest coverage indicators.

Customer Concentration risk : Customer concentration risk is high as ~80% of the revenues contributed by single customer.

Volatility in prices : Being a trader in an agricultural commodity, it is exposed to price fluctuation risk due to weather and other external factors, resulting in low profit margins

Financial Profile:

Amrutha Coffee Private Limited's net revenue from operations have improved from ₹ 46.13 Cr in FY13 to ₹129.80 Cr in FY14. Operating profit margin has increased from 1.07% in Fy 13 to 1.20% in FY 14. Cash conversion cycle of 17 days indicates efficient working capital management thus leading to less dependence on working capital borrowings. The Company's net worth stood at ₹ 2.18 Crs as on FY14.

Key Financial Parameters have been detailed in Annexures I and II.

Financials:

Amrutha Coffee Private Limited's net revenue from operations have improved from ₹ 46.13 Cr in FY13 to ₹129.80 Cr in FY14. In FY14, the Company reported a operating profit margin of 1.20%. The Company's net worth stood at ₹ 2.18 Crs as on FY14. In FY14, Long Term Debt:Equity ratio stood at 0.01 times.

Rating Outlook:

Amrutha Coffee Private Limited's performance over the next year is expected to be stable. Going forward, the Company's ability to increase its revenue, improve net worth, improve profit margins and manage its liquidity efficiently will be the key rating sensitivities.

Analyst Contact	Relationship Contact
analyst@brickworkratings.com	bd@brickworkratings.com
Phone	Media Contact
1-860-425-2742	media@brickworkratings.com

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Amrutha Coffee Pvt Ltd
Annexure I: Summary of the Profit & Loss Statement

Particulars	FY 13 Audited	FY 14 Audited
Gross Sales	46.13	129.80
Net Sales	46.13	129.80
Other Operating Income	0.14	0.41
Total Operating Income	46.27	130.21
Operating Expenses	45.78	128.64
OPBDIT	0.49	1.56
Depreciation/Amortization/Impairment	0.17	0.27
OPBIT	0.32	1.29
Interest and Finance Charges	0.28	0.31
OPBT	0.05	0.98
Non Operating Income(Expenses)	0.00	0.01
PBT	0.05	0.99
Provision for Taxes	0.02	-0.01
PAT	0.04	1.00

Annexure II: Summary of the Balance Sheet

Particulars	FY 13 Audited	FY 14 Audited
EQUITY AND RESERVES	1.30	2.30
Share capital	1.26	1.26
Reserves and Surplus	0.04	1.04
Non-current liabilities	0.20	0.03
Long-Term Borrowings	0.20	0.03
Current liabilities	5.72	6.29
Short-Term Borrowings	4.72	4.77
Current Portion Of Long Term Debt	0.21	0.17
Trade Payables	0.08	0.25
Other Current Liabilities	0.43	0.55
Short-Term Provisions	0.28	0.55
Total Liabilities	7.22	8.62
Non-current assets	1.67	1.50
Net Fixed assets	1.62	1.45
Deferred Tax Assets (Net)	0.00	0.01
Long Term Loans and Advances	0.03	0.03
Miscellaneous Expenditure To the Extent Not Written off(Non Current)	0.02	0.01
Current assets	5.55	7.12
Inventories	3.99	3.05
Trade Receivables > Six Months	0.04	0.00
Trade Receivables < Six Months	1.18	3.91
Cash and Cash Equivalents	0.01	0.01
Short-Term Loans and Advances	0.33	0.01
Other Current Assets	0.00	0.13
Miscellaneous Expenditure To the Extent Not Written off(Current)	0.01	0.01
Total Assets	7.22	8.62