

JUNE 29, 2016

CARE ASSIGNS 'CARE BBB+' AND 'CARE A2' RATINGS TO THE BANK FACILITIES OF NEDCOMMODITIES INDIA PVT LTD

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-Term/Short-term Bank Facilities	93.25	CARE BBB+/CARE A2 (Triple B Plus/A Two)	Assigned
Short-Term Bank Facilities	51.75	CARE A2 (A Two)	Assigned
Total Facilities	145.00 (Rupees One Hundred and Forty Five crore only)		

Rating Rationale

The ratings assigned to the bank facilities of Nedcommodities India Pvt Ltd (NCPL) derive strength from established track record of the Sucres et Denrees group to which NCPL belongs, experience of the promoters, moderate gearing levels, revenue certainty emanating from the off-take agreement with fellow subsidiary Nedcoffee B.V.(NBV), expected growth in income with decision to increase the procurements and capacity utilization as well as locational advantage of the company.

The ratings are, however, constrained by risks associated with seasonality of the business, muted revenue growth in the past three years, moderate profitability, volatility in coffee beans prices, stretched operating cycle, exposure to foreign exchange fluctuation risk and intensely competitive coffee business.

Going forward, ability of the company to maintain its financial risk profile marked by moderate capital structure and adequate liquidity by efficient management of incremental working capital requirement expected from scaling up of operations constitutes the key rating sensitivity.

Background

Incorporated in March 2000, NCPL is engaged in procuring, curing and exporting coffee seeds at Kushalnagar, Karnataka with an installed capacity of 35000 MTPA. NCPL cures and processes two species of coffee i.e. Arabica coffee and Robusta coffee. Robusta cherry accounts for more than 75% of the company's revenue.

Till July 8, 2015, NCPL was owned by the Dutch group - Amtrada Trading Group – primarily engaged in origination, procurement and trading of cocoa, coffee and tree nuts. With effect from July 8, 2015, Amtrada Trading Group sold off its entire coffee business to the France based Sucres et Denrees Group as a part of its strategic decision to exit coffee business. NCPL and its off-taker - NBV - are now wholly owned subsidiaries of Sucres et Denrees S A, France.

Founded by Mr. Maurice Varsano in 1952, the Sucres et Denrees group is traditionally engaged in the business of sugar trading. The group originates and ships more than 8 mmt of sugar annually and it accounts for more than 95% of the group's income. Through the years, the group has expanded its scope of activities beyond sugar into other products and services like cocoa trading, ethanol trading, ocean freight, coffee, derivatives brokerage etc. Over the past few years, the group has entered into coffee business with the acquisition of the US based Coffee America Corporation USA in 2014 and the entire coffee business of the Amtrada group (including NCPL) in 2015.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

After being acquired by the Sucre et Denrees group, NCPL (via its offtaker) is expected to have access to markets in North America, Europe and the Middle East as well through another group company – Coffee America Corporation, USA. The company registered PAT of Rs.2.47 crores and operating income of Rs.84.04 crores in FY15 (Audited; refers to the period from October 1, 2014 to March 31, 2015) as against PAT of Rs.8.71 crores and operating income of Rs.228.16 crores in FY14 (Audited; refers to the period from October 1, 2013 to September 30, 2014).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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