

WESTERN COFFEE CURERS & EXPORTS PRIVATE LIMITED

December 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	46.32 (Enhanced from 41.16)	CARE B+; Stable	Reaffirmed
Long Term / Short Term Bank Facilities	16.00 (Reduced from 24.94)	CARE B+; Stable / CARE A4	Reaffirmed
Short Term Bank Facilities	3.90	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Western Coffee Curers & Exports Private Limited (WCCEPL) are constrained by its low profitability margins, exposure to volatility in coffee prices, seasonal nature of business leading to elongation in operating cycle, leveraged capital structure, modest debt coverage indicators and intense competition in the industry. The ratings, however, derive strength from the extensive experience of promoters in the coffee business and the growing scale of operations coupled with diverse customer and supplier base.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Improvement in scale along with improvement in PBILDT margin over 5 % on a sustained basis translating in to improved GCA of over Rs.4.5 crore.
- Improvement in capital structure with overall gearing below 1.5 times.
- Improvement in operating cycle resulting in company reporting positive cash flow from operation on a sustained basis.

Negative factors

- Decline in Total Operating Income (TOI) below Rs. 100 crore and PBILDT margin below 2.5 %
- Any large debt funded capex leading to further deterioration in the financial risk profile

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that WCCEPL will continue to benefit from the extensive experience of its promoters and established relationships with their customers and suppliers.

Detailed description of key rating drivers:

Key weaknesses

Leveraged capital structure and modest debt coverage indicators

The capital structure of the company remain leveraged as a result of thin profit margins resulting in lower accretion of profits to net worth, working capital intensive nature of business given its seasonal nature, translating in to continued high utilization of limits coupled with term debt availed to fund its coffee curing unit. The capital structure of the company stood leveraged marked by overall gearing of 2.84x as on 31st March,2024 as against 2.51x as on 31st March,2023. The deterioration in gearing was on account of increase in term loan and working capital borrowings

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

during FY24. The term loan increased as the company undertook fresh term loan of Rs. 15.30 crores in FY24 to fund the purchase of coffee curing unit. The TOL/TNW stood high at 3.45x as on 31st March, 2024 as against 2.66x as on 31st March, 2023. Further, the increase in debt levels led to high TD/GCA of 17.52x as on 31st March, 2024 (FY23: 11.98x) and the interest coverage ratio stood moderate at 1.94x in FY24 (FY23: 2.15x).

Low profitability margins and exposure to volatility in coffee prices

The profitability margins are low owing to limited value addition in the business. Further operating margins are susceptible to volatility in coffee prices. However, the PBILDT margin has improved from 2.20 % in FY23 to 3.75% in FY24 on account of inventory gains due to rise in coffee prices.

Seasonal nature of business leading to deterioration in operating cycle

With coffee being a seasonal crop, the company faces seasonality in its operations as well. With coffee harvesting season falling between December to March, the company sources raw coffee beans during the same period. Raw coffee procurement along with record-high coffee prices led to high inventory at the end of March which further led to stretch in the operating cycle. The operating cycle deteriorated from 42 days in FY23 to 60 days in FY24. Further post the procurement of coffee beans, coffee curing activity is done which picks up post the monsoon season and major portion of sales happens during the second half of the financial year.

Intense competition in the industry

WCCEPL operates in the coffee industry which has large number of established players including MNCs. The company faces stiff competition from these players which limits its pricing power. With increasing awareness and coffee consumption in both domestic as well as export markets, the pricing constraints are expected to continue going forward.

Key strengths

Experienced promoters in the coffee business

The operations of the company are managed by Mr. Sachin B.P., Managing Director and Mr. Papanna B.S., Director who have two decades of experience in the coffee industry. This has helped them gain thorough understanding of the business which has enabled them to establish healthy relationships with their customers and suppliers.

Growing scale of operations with diverse customer and supplier base

The scale of operations has improved consistently over the years with Total Operating Income (TOI) growing from Rs. 138 crores in FY22 to Rs. 152 crores in FY23 and subsequently Rs. 172 crores in FY24. The growth in revenue was mainly attributable to improved realisation, while the volume sold had declined by 9% on a YoY basis in FY24. The company procures raw coffee from coffee growing regions in Karnataka and has close ties with more than 3000 growers. The supplier base is diverse with Top 5 suppliers contributing 54 % to total purchases for FY24. Further the company sells the processed coffee in the domestic market as well as the export markets with exports contributing 22% to total sales for FY24. The customer base is diverse with Top 5 customers contributing 24% to total sales for FY24.

Liquidity: Stretched

The liquidity position is stretched marked by expected GCA of Rs. 4.5-5 crores against repayment obligations of Rs. 2-2.15 crores during FY25 and FY26. Further the average utilization of fund based working capital limits stood high at 98% for the past 12 months ended March-2024 which does not provide any liquidity backup. Further the cashflow from operations stood negative at Rs. -6.87 crores in FY24. Cash and bank balances stood low at Rs. 0.42 crores as on 31st March, 2024. The operating cycle deteriorated from 42 days in FY23 to 60 days in FY24 owing to higher inventory period. The company does not have any capex plan in the near term.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)
About the company and industry
Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Tea & Coffee

Western Coffee Curers & Exports Private Limited (WCCEPL) was established as a proprietorship firm in the name of Reliable Coffee Commodities by Mr. Sachin B.P. Further the proprietorship firm was transitioned into a partnership firm named Western Coffee Curers in 2013 with Sachin B.P's father, Papanna B.S as a partner. The firm transitioned into a private limited company in 2018. WCCEPL is engaged in processing and export of coffee beans. The company deals in Arabica and Robusta varieties of coffee. The company procures raw coffee from the coffee-growing regions in Karnataka, processes it and sells in the domestic and export markets which includes Europe, USA, Canada, Sri Lanka, South Africa etc. The company has its own coffee curing unit which has a capacity of 8 TPH and annual production of 15000 TPA.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)	7MFY25(UA)
Total operating income	152.12	171.51	82.72
PBILDT	3.35	6.43	NA
PAT	1.39	2.02	NA
Overall gearing (times)	2.51	2.84	NA
Interest coverage (times)	2.15	1.94	NA

A: Audited P:Provisional UA: Unaudited NA:Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	30.00	CARE B+; Stable
Fund-based - LT-Term Loan		-	-	31/07/2033	16.32	CARE B+; Stable
Fund-based - LT/ ST-EPC/PSC		-	-	-	16.00	CARE B+; Stable / CARE A4
Fund-based - ST-Standby Line of Credit		-	-	-	3.90	CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT/ ST-EPC/PSC	LT/ST	16.00	CARE B+; Stable / CARE A4	1)CARE B+; Stable / CARE A4 (02-Dec-24)	-	-	-
2	Fund-based - LT-Cash Credit	LT	30.00	CARE B+; Stable	1)CARE B+; Stable (02-Dec-24)	-	-	-
3	Fund-based - ST-Standby Line of Credit	ST	3.90	CARE A4	1)CARE A4 (02-Dec-24)	-	-	-
4	Fund-based - LT-Term Loan	LT	16.32	CARE B+; Stable	1)CARE B+; Stable (02-Dec-24)	-	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities : Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT/ ST-EPC/PSC	Simple
4	Fund-based - ST-Standby Line of Credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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About us:

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