

Press Release

Newby Teas Overseas Private Limited

March 23, 2019



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 10.00 crore bank facilities of Newby Teas Overseas Private Limited (NTOPL). The outlook is '**Stable**'.

NTOPL was set up by Mr. Nirmal Sethia in the year 2003. It is involved in the blending and marketing of premium tea since 2005. It is also involved in the production of tea gift packs. Products are sold under the brand 'Newby', both in India and abroad. The board is ably assisted by a second line of management comprising of Mr. Pankaj Kothari - (Working CEO), Mr. Sanjiv Kumar Singh - General Manager (finance) and Mr. C. S. Jain. NTOPL imports raw materials from countries like Germany, Japan, China and Sri Lanka and buys raw materials from a tea plantation owned by their sister concern (Suola Tea Estates Pvt. Ltd.). NTOPL has a state of the art storage facility located in Kolkata where the finished goods are stored and their products have a shelf life of 3 years after packing.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of NTOPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

NTOPL commenced operations in 2003. The Directors Mr. Sethia, Mr. Jain, Mr. Girotra and others have more than four decades of experience in the tea processing industry. Acuité believes the extensive experience of the promoters will help the company in improving their business risk profile in near to medium term.

• Moderate financial risk profile

The financial risk profile is moderate marked by moderate net worth and debt protection measures and low gearing. The net worth of the company is moderate at around Rs.24.43 crore as on 31 March 2018 as against Rs.24.05 crore as on 31 March 2017. The company has followed a conservative financial policy as reflected by peak gearing of 0.67 times over the last three years through 2017-18. The gearing of the company has further improved to around 0.25 times as on March 31 2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.38 times as on 31 March 2018 as against 0.36 times as on 31 March 2017. The healthy revenue levels coupled with stable operating margins have resulted in moderate debt protection measures. Interest Coverage Ratio (ICR) remained healthy at 4.15 times in FY2018 and 2.15 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.28 times as on 31 March 2018 as against 0.25 times as on 31 March 2017. Debt Service Coverage Ratio (DSCR) stood at 3.99 times for FY2018 as against 0.67 times in FY2017. Acuité believes that the financial risk profile of NTOPL will continue to remain moderate over the medium term on account of its improving scale of operations and conservative financial policy.

Weaknesses

• Intensive Working capital nature of operations

The working capital management is marked by Gross Current Assets (GCA) of 278 days in FY2018 and FY2017. The company maintains inventory of around 240 days on an average and extends clean credit of around 35 days to its customers resulting in high GCA days. The inventory and debtor levels stood at 278 days and 39 days in FY2018 as against 278 days and 32 days in FY2017 respectively. Acuité believes that the working capital requirements will continue to remain moderate over the medium term on account of its high inventory requirements to cater to spot orders.

• Concentrated customer base

The company is dependent entirely on its group companies for sales. Sales to Newby Teas (UK) Limited account for 97 percent of the total sales. Any slowdown in the business of Newby Teas (UK) Limited will directly impact the financial risk profile of NTOPL.

Liquidity Position

NTOPL has adequate liquidity marked by moderately healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.75 crore during the last three years through 2017-18. The cash accruals of the company are estimated to remain around Rs.1.80 – 2.10 crore during 2019-21. NTOPL's operations are working capital intensive as marked by gross current asset (GCA) days of 278 in FY2018. This has led to moderate reliance on working capital borrowings, the packing credit limit in the company remains utilized at 80 percent during the last 12 months period ended January 2018. The company maintains unencumbered cash and bank balances of Rs.0.46 crore as on March 31, 2018. The current ratio of NTOPL stands healthy at 1.83times as on March 31, 2018. NTOPL is not likely to incur any major capex in the near to medium future. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderately healthy cash accruals and no major repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	20.01	17.32	14.95
EBITDA	Rs. Cr.	2.31	1.68	0.58
PAT	Rs. Cr.	0.37	0.22	-1.70
EBITDA Margin	(%)	11.54	9.73	3.89
PAT Margin	(%)	1.86	1.28	-11.37
ROCE	(%)	3.34	1.81	-4.21
Total Debt/Tangible Net Worth	Times	0.25	0.26	0.67
PBDIT/Interest	Times	4.15	2.18	0.60
Total Debt/PBDIT	Times	2.57	3.26	15.08
Gross Current Assets (Days)	Days	278	278	324

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

Not Applicable

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
06-Feb-2018	Packing Credit	Short Term	9.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (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	9.00	ACUITE A4+ (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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