

## Press Release

### Newby Teas Overseas Private Limited

June 10, 2020



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 10.00 Cr.
<b>Short Term Rating</b>	ACUITE A4+ (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

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

Incorporated in 2003, Newby teas overseas Private Limited (NTOPL) is engaged in blending and marketing of premium tea since 2005 and also involved in the production of tea gift packs. The products are sold under the brand 'Newby', both in India and abroad. Currently, the company is headed by Mr. Nirmal Kumar Sethia, Mr. Chhatar Singh Jain, Ms. Richa Sethia and Mr. Amrao Jain. NTOPL imports raw materials from countries like Germany, Japan, China and Sri Lanka and also buys tea from tea auctions in India. The company has a state of the art storage facility located in West Bengal where the finished goods are stored and their products have a shelf life of 3 years after packing.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

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

Established in 2003, Newby teas overseas Private Limited (NTOPL) has a long operational track record of almost two decades in the tea processing industry. The key directors of the company, Mr. Nirmal Kumar Sethia and Mr. Chhatar Singh Jain have more than four decades of experiences in the industry. Acuité believes that the long track record of operations and experience of the management will benefit the company going forward resulting in steady growth in the scale of operations.

- **Healthy financial risk profile**

The company's healthy financial risk profile is marked by moderate networth, very low gearing and strong debt protection metrics. The tangible net worth of the company improved to Rs.26.39 Cr as on March 31, 2019 from Rs.24.43 Cr as on March 31, 2018 due to accretion of profits. It has further improved to Rs.28.75 Cr as on March 31, 2020 (provisional). The company has comfortable gearing at 0.10 times as on March 31, 2019 as against 0.25 times as on March 31, 2018. The gearing stood at 0.01 times as on March 31, 2020 (provisional). The debt is only working capital borrowing of Rs.2.71 Cr as on March 31, 2019. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.23 times as on March 31, 2019 as against 0.38 times as on March 31, 2018. The comfortable debt protection metrics of the company is marked by Interest Coverage Ratio at 17.61 times in FY2019 compared to 4.15 times in FY2018 and the NCA/TD of 1.23 times as on March 31, 2019 compared to 0.28 times as on March 31, 2018. The debt protection metrics remained comfortable marked by Interest Coverage Ratio at 48.02 times in FY2020 (provisional) and the NCA/TD is at 12.64 times as on March 31, 2020 (provisional). Acuité believes that going forward the financial risk profile of the company will remain comfortable backed by steady accruals and no major debt funded capex plans.

#### Weakness

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by high Gross Current Assets (GCA) of 252 days as on March 31, 2019 as compared to 278 days as on March 31, 2018. The high GCA days are on account of high inventory holding, which stood at 186 days as on March 31, 2019 as compared to 209 days as on 31st March 2018. The debtor period is comfortable at 31 days as on March 31, 2019 as compared to 39 days as on March 31, 2018. The GCA days are at higher level at 296 days as on March 31, 2020 (provisional). Acuité believes that the working capital requirements will continue to remain moderate over the medium term on account of its high inventory requirements.

- **Concentrated customer base**

The company is dependent entirely on its group companies for its sales. Sales to Newby Teas (UK) Limited account for 96 percent of the total sales. Any slowdown in the business of Newby Teas (UK) Limited will directly impact the financial risk profile of the company.

#### **Rating Sensitivity**

- Working capital management in operations

#### **Material Covenant**

None

#### **Liquidity Profile**

The company's liquidity is adequate marked by net cash accruals of Rs.3.34 Cr in March 31, 2019 as against no debt repayment obligation. The NCA increased further to Rs.3.79 Cr on as on March 31, 2020 (provisional). The current ratio stood comfortable at 8.02 times as on March 31, 2020 (provisional) as compared to 3.28 times as on March 31, 2019 and 1.83 times as on March 31, 2018. The fund based limit remains utilised at around 13.35 percent over the thirteen months ended Feb, 2020. The company has not availed any loan moratorium or additional covid loans. The cash and bank balances of the company stood at Rs.0.78 Cr as on March 31, 2019 as compared to Rs.0.46 Cr as on March 31, 2018. It has increased to Rs.0.82 Cr as on March 31, 2020 (provisional). However, the company's operations are working capital intensive as reflected by high Gross Current Assets (GCA) of 296 days as on March 31, 2020 (provisional) as against 252 days in March 31, 2019 and 278 days in March 31, 2018. 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.

#### **Outlook: Stable**

Acuité believes the outlook on NTOPL rated facilities will remain stable over the medium term backed by its long track record of operations and healthy order book position. The outlook may be revised to 'Positive' in case the company registers more than envisaged sales and profitability while improving its working capital cycle. The outlook may be revised to 'Negative' in case the company fails to achieve envisaged revenue and profitability and its working capital cycle gets stretched or its liquidity position deteriorates further.

#### **About the Rated Entity - Key Financials**

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	22.02	20.01
PAT	Rs. Cr.	1.94	0.37
PAT Margin	(%)	8.82	1.86
Total Debt/Tangible Net Worth	Times	0.10	0.25
PBDIT/Interest	Times	17.61	4.15

#### **Status of non-cooperation with previous CRA**

Not Applicable

#### **Any other information**

Not Applicable

## Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-59.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

## Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
23-Mar-2019	Packing Credit	Short Term	9.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Reaffirmed)
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
Packing Credit	28-03-2013	Not Applicable	Not Applicable	9.00	ACUITE A4+ (Reaffirmed)
Bank Guarantee	29-01-2016	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Reaffirmed)

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## About Acuité Ratings & Research

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