

Press Release

Newby Teas Overseas Private Limited

September 02, 2021



Rating Reaffirmed

Total Bank Facilities Rated	Rs.10.00 Cr
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

The rating on NTOPL takes cognizance of the long experience of the promoters. The rating also factors the above average financial risk profile of the company characterized by negligible debt and strong debt protection metrics. These strengths are, however, partially constrained by the working capital intensity in its operations and concentrated customer base.

About the company

Incorporated in 2003, Newby Teas overseas Private Limited (NTOPL) is headed by Mr. Nirmal Kumar Sethia, Mr. Chatar Singh Jain, Ms. Richa Sethia and Mr. Amrao 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 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

- Long track record of operations and experienced management**

NTOPL commenced operations in 2003. The Directors Ms. 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. The long-standing experience of the promoters and long track record of operations has helped them to establish comfortable relationships with their key suppliers.

- Above Average financial risk profile**

The company's above average financial risk profile is marked by modest albeit improving network, low gearing and strong debt protection metrics. The net worth of the firm stood at Rs.30.29 crores as on 31 March 2021 (Provisional) as against Rs. 28.83 crores as on 31st March 2020. The gearing stood at nil times as on March 31,2021 (Provisional) as compared to 0.01 times as on March 31,2020. The strong debt protection metrics of the firm is marked by the interest coverage ratio (ICR) stood at 13.20 times in FY2021 (Provisional) and DSCR stood at 12.40 times in FY2021(Provisional). The NCA/TD stood low at 0.01times in FY2021(Provisional). Acuité believes that going forward the financial risk profile of the firm will remain at same level in the absence of any major debt funded capex plans in the medium term.

Weakness

- Working capital intensive nature of operations**

The working capital management of the company is intensive marked by moderate Gross Current Assets (GCA) of 259 days in FY2021 (Provisional) as compared to 229 days in FY2020. The high GCA days emanates from the high inventory holding which stood at 143 days as on March 31, FY2021 (Provisional) as compared to 167 days as on March 31, 2020 due to the inherent nature of business. However, the low debtor period, which stood at 31 days as at March 31, 2021 (Provisional) compared to 48 days as on March 31, 2020. Acuite believes that working capital management of the company will remain a key credit monitorable.

- 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.

Rating Sensitivity

- Sustainability in revenue growth and profitability margin.
- Elongation of working capital cycle.

Material Covenant

None

Liquidity Profile: Strong

NTOPL has strong liquidity position marked by unutilized fund-based bank facility limits for 12 months ended June 2021, modest cash accruals of Rs.2.51 crores as on March 31, 2021 (Provisional) as against nil maturing debt obligations over the same period. Further, the current ratio stood strong at 4.14 times as on March 31, 2021 (Provisional) compared to 4.85 times as on March 31, 2020. The company maintains cash and bank balances of Rs.1.02 crore as on March 31, 2021 (Provisional). However, the working capital operations of the company are intensive marked by GCA (Gross Current Assets) Days of 259 days in FY 2021 (Provisional) as compared to 229 days in the previous year in FY 2020. Acuite believes that the liquidity of the company is likely to remain at similar levels over the medium term due to no such maturing debt obligations.

Outlook: Not Applicable

About the Rated Entity Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	14.95	20.40
PAT	Rs. Cr.	1.23	2.57
PAT Margin	(%)	8.22	12.59
Total Debt/Tangible Net Worth	Times	0.00	0.01
PBDIT/Interest	Times	13.20	22.21

Status of non-cooperation with previous CRA

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Any other information: Not Applicable

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/ Outlook
10-June-2020	Packing Credit	Short Term	9.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Reaffirmed)
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**

Instrument Information

Name of the Lender	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/ Outlook
United Bank of India	Packing Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A4+ (Reaffirmed)
United Bank of India	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research

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