

## Press Release

Newby Teas Overseas Private Limited

February 15, 2022



### Rating Reaffirmed and Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.00	-	ACUITE A4+   Reaffirmed
Bank Loan Ratings	7.00	-	ACUITE A4+   Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	3.00	-	-
Total Withdrawn Quantum (Rs. Cr)	7.00	-	-

### Rating Rationale

Acuité has reaffirmed the **short term rating of 'ACUITE A4+' (read as ACUITE A four plus)** on the Rs. 3.00 Cr. bank facilities of Newby Teas Overseas Private Limited (NTOPL). The outlook remains '**Stable**'.

Acuité has withdrawn the short term rating of 'ACUITE A4+' (read as ACUITE A four plus) on the Rs. 7.00 Cr bank facilities of Newby Teas Overseas Private Limited (NTOPL). The rating is being withdrawn on account of request received from the company due to reduction in their limits.

The rating on NTOPL takes cognizance of the long experience of the promoters and 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 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 raw materials from other domestic tea plantations. 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**

### **Experienced management**

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.

### **Above average financial risk profile**

The company's above average financial risk profile is marked by modest albeit improving networth, nil gearing and strong debt protection metrics. The net worth of the company stood at Rs.30.29 crores as on 31 March 2021 as against Rs. 28.83 crores as on 31st March 2020. With nil external debt as on March 31, 2021, gearing is nil, as compared to 0.01 times as on March 31, 2020. The strong debt protection metrics of the company is marked by robust interest coverage ratio (ICR) stood at 71.30 times in FY2021 and DSCR stood at 66.99 times in FY2021. Acuité believes that going forward the financial risk profile of the company will remain at same level in the absence of any major debt funded capex plans in the medium term.

## **Weaknesses**

### **Working capital intensive nature of operation**

The working capital management of the company is intensive marked by moderate Gross Current Assets (GCA) of 259 days in FY2021 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 as compared to 167days as on March 31, 2020 due to large inventory holding to meet business requirement. However, the low debtor period, which stood at 31 days as at March 31, 2021 compared to 48 days as on March 31, 2020. Going forward, Acuité believes that the working capital management of the company will remain at similar levels as evident from efficient collection mechanism and high level of inventory period over the medium term.

### **Decline in operating income and profitability margins due to pandemic**

Newby Teas Overseas Private Limited has achieved revenues of Rs. 14.95 Cr as at March 31, 2021as compared to revenue of Rs. 20.40 Cr as at March 31, 2020. The reduction in top line is on account of Covid 19 pandemic. Strict coronavirus curbs resulted in delayed export shipments and upset supply with travel restrictions. However, this was compensated by the sharp increase in tea realisations. The company has already achieved revenues of Rs. 14.62 Cr. till December 2021(Provisional). Despite a significant softening of the market prices of tea in the current year- FY22 on the back of a recovery of crops in the overall industry, the company's average realisation has remained relatively firm due to its increased focus on quality.

The operating margin of the company reduced to 17.93 per cent in FY2021 as compared 22.61 per cent in the previous year 2020 due to increase in prices of raw materials, labour shortage. The PAT margins stood at 9.42 per cent in FY2021 as against 12.59 per cent as on FY2020. The reduced profitability margins have translated into reduced ROCE levels for the firm of 5.17 per cent as at March 31, 2021 as against 10.97per cent as at March 31, 2020.

## **Rating Sensitivities**

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

## **Material covenants**

None

### **Liquidity Position: Adequate**

NTOPL has strong liquidity position marked by unutilized fund-based limits for FY2021 and till date, sufficient cash accruals of Rs.2.69 crores as on March 31, 2021 as against nil debt obligations over the same period. Further, the current ratio stood strong at 4.90 times as on March 31, 2021 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. Further, the company has neither applied for additional covid loan nor availed any loan moratorium. However, the working capital operations of the company are intensive marked by GCA (Gross Current Assets) Days of 259 days in FY 2021 as compared to 229 days in the previous year in FY 2020. Acuité 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: Stable**

Acuité believes that the outlook on the group will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and sound business position. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues coupled with sustained improvement in operating margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of a decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile or further elongation in its working capital cycle

### **Key Financials**

<b>Particulars</b>	<b>Unit</b>	<b>FY 21 (Actual)</b>	<b>FY 20 (Actual)</b>
Operating Income	Rs. Cr.	14.95	20.40
PAT	Rs. Cr.	1.41	2.57
PAT Margin	(%)	9.42	12.59
Total Debt/Tangible Net Worth	Times	0.00	0.01
PBDIT/Interest	Times	71.30	22.21

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

Crisil, vide its press release dated July 21, 2021 had reaffirmed the rating of Newby Teas Overseas Private Limited to 'CRISIL B+/Stable/A4; ISSUER NOT COOPERATING'.

### **Any other information**

None

### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of 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>

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Sep 2021	Packing Credit	Short Term	9.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Reaffirmed)
10 Jun 2020	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Reaffirmed)
	Packing Credit	Short Term	9.00	ACUITE A4+ (Reaffirmed)
23 Mar 2019	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Reaffirmed)
	Packing Credit	Short Term	9.00	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**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+   Reaffirmed
Punjab National Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+   Reaffirmed
Punjab National Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4+   Reaffirmed & Withdrawn

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### About Acuité Ratings & Research

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