

Press Release

Newby Teas Overseas Private Limited

March 08, 2023



Rating Reaffirmed

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

Rating Rationale

Acuite 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).

Rating Rationale

The rating factors in the above average financial risk profile of the company characterized by its deleveraged capital structure and the established track record of the promoters. However, these strengths are offset by small scale of operations, working capital intensive nature of operations and customer concentration risk.

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. Satish Chander Girotra, 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

Acuite 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

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, Mr. Satish Chander Girotra, Mr. Chhatar Singh Jain, Ms. Richa Sethia and Mr. Amrao Jain have more than four decades of experiences in the industry. Acuite 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 but improving networth, nil gearing and robust debt protection metrics. The net worth of the company stood at Rs.33.57 crore as on 31 March 2022 as against Rs.30.29 crore as on 31 March 2021 due to accretion of reserves. The company has no external debt in its books as on March 31, 2022. The strong debt protection metrics of the company is marked by robust Interest coverage ratio (ICR) stood at 107.21 times in FY2022 and DSCR stood at 94.14 times in FY2022. 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

- **Modest Scale of operations**

The scale of operations of the company has achieved revenues of Rs. 19.24 Cr in FY2022 as compared to revenues of Rs. 14.95 Cr in FY2021. Further, the company reported revenue of Rs.11.01 crore till October, 2022 (Provisional). The ability of the firm to improve its scale going forward will remain a key rating sensitivity.

- **Working capital intensive nature of operations**

The working capital management of the company is intensive marked by moderate Gross Current Assets (GCA) of 217 days in FY2022 as compared to 259 days in FY2021. The high GCA days emerge from the high inventory holding which stood at 166 days as on March 31, FY2022 as compared to 143 days as on March 31, FY2021. However, the debtor period stood comfortable, which stood at 14 days as at March 31, 2022 compared to 31 days as at March 31, 2021. 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.

- **Customer concentrated risk**

The company is dependent entirely on its group companies for sales. Sales to Newby Teas (UK) Limited account for 95 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 Sensitivities

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

Material covenants

None

Liquidity Position **Adequate**

NTOPL has adequate liquidity position marked by consistent unutilized fund-based limits, net cash accruals of Rs.4.29 crore as on March 31, 2022 as against no such debt obligations over the same period. Further, the current ratio stood strong at 3.61 times as on March 31, 2022 compared to 4.90 times as on March 31, 2021. The company has unencumbered cash and bank balances of Rs.0.61 crore as on March 31, 2022. However, the working capital operations of the company are intensive marked by GCA (Gross Current Assets) Days of 217 days in FY2022 as compared to 259 days in FY2021. 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

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	19.24	14.95
PAT	Rs. Cr.	3.23	1.41
PAT Margin	(%)	16.78	9.42
Total Debt/Tangible Net Worth	Times	0.00	0.00
PBDIT/Interest	Times	107.21	71.30

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

Crisil vide its press release dated 12.09.2022, had reaffirmed the company to CRISIL B+/A4; INC

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
15 Feb 2022	Packing Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Packing Credit	Short Term	7.00	ACUITE A4+ (Withdrawn)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A4+ Reaffirmed
Punjab National Bank	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A4+ Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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