Press Release

Newgen Agro Processors Private Limited

January 02, 2019

Rating Reaffirmed, Upgraded and Assigned

Total Bank Facilities Rated*	Rs. 14.70 Cr.
Long Term Rating	ACUITE B+ /Stable (Upgraded from ACUITE B/Stable)
Short Term Rating	ACUITE A4 (Reaffirmed)

* *Refer Annexure for details*

Rating Rationale

Acuité has upgraded long-term rating to '**ACUITE B+**' **(read as ACUITE B plus)** from **'ACUITE B' (read as ACUITE B)** and reaffirmed short term rating of **'ACUITE A4' (read as ACUITE A four)** to Rs.13.00 crore and assigned long-term rating of '**ACUITE B+**' **(read as ACUITE B plus)** to the Rs. 1.70 crore bank facilities of Newgen Agro Processors Private Limited (NAPL). The outlook is **'Stable'**.

The rating upgrade reflects improvement in operating margins and improvement in debt protection metrics. Going forward, the debt protection metrics of the firm are also expected to remain at the same range.

NAPL was set up in 2010 by Mr. Remesh Kumar, Mr. Venugopal Ambady and Mr. Sreedharan. The company is engaged in manufacturing of fruit pulp from mangoes and guavas. It has a processing unit in Tamil Nadu with capacity of 3000 metric tons per month. Around 80 percent of the company's revenues come from the sale of mango pulp and rest from the sale of guava pulp.

Analytical Approach

For arriving at the rating, Acuité has considered the standalone business and financial risk profile of NAPL.

Key Rating Drivers

Strengths

- **Established clientele and geographic reach**

  NAPL has been able to develop a long term relationship with clients including ITC Limited and Masafi Co. LLC to name a few. Apart from selling to domestic clients, NAPL exports the pulp to Middle East, Europe and Tunisia, among others.

- **Increase in operating margins**

  The operating margins (EBIDTA) grew to 18.95 percent for FY2018 compared to 15.47 percent for FY2017. Further, the company registered positive Profit after tax (PAT) of Rs.0.09 crore in FY2018 as against negative PAT of Rs.0.11 crore in FY2017. The major reason for increase in profit margins was due to better harvest of fruits and hence, its availability at lower prices.

Weaknesses

- **Declining revenue trend**

  The operations of NAPL have declined with a CAGR of (11) percent (period between FY2015 to FY2018) as the company has registered revenue of Rs.12.90 crore for FY2018 as compared to Rs.17.48 crore for FY2017. However from April to November 2018, the company registered revenue to the tune of ~Rs.14.57 crore (Provisional). Further, the company has a healthy order book position of Rs.5.83 crore to be executed in the current fiscal.

- **Working capital intensive operations**
  NAPL's operations are working capital intensive as Gross Current Asset (GCA) days grew to 287 in FY2018 as against 220 in FY2017. The GCA days are mainly dominated by high inventory days of 260 in FY2018 as against 180 in FY2017. The company has a policy to hold finished goods inventory for upto 6 months. Out of the total inventory of the company, approximately 92 percent is finished goods. The average cash credit utilisation stood at ~91 percent for six months ending November, 2018. Acuitè believes that an efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Outlook: Stable
Acuitè believes that NAPL will maintain a 'Stable' business risk profile over the medium term based on the established clientele. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues or profit margins, or in case of deterioration in working capital management.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	12.90	17.48	20.35
EBITDA	Rs. Cr.	2.45	2.71	1.77
PAT	Rs. Cr.	0.09	(0.11)	(1.11)
EBITDA Margin	(%)	18.95	15.47	8.70
PAT Margin	(%)	0.70	-0.64	-5.44
ROCE	(%)	9.13	8.94	2.07
Total Debt/Tangible Net Worth	Times	4.05	(111.19)	(498.96)
PBDIT/Interest	Times	2.01	1.75	1.15
Total Debt/PBDIT	Times	4.19	5.84	9.11
Gross Current Assets (Days)	Days	287	220	148

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

Any other information
Not Applicable

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-40.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
23-Apr-2018	Cash Credit	Long Term	7.00	ACUITE B / Stable (Assigned)
	Packing Credit	Short Term	1.63	ACUITE A4 (Assigned)
	Term Loan	Long Term	3.66	ACUITE B / Stable (Assigned)
	Proposed Bank Facility	Long Term	0.71	ACUITE B / Stable (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE B+/ Stable (Upgraded)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	1.63	ACUITE A4 (Reaffirmed)
Term loans	Not Applicable	Not Applicable	Not Applicable	3.66	ACUITE B+/ Stable (Upgraded)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.04	ACUITE B+/ Stable (Upgraded & Assigned)
Proposed Cash Credit/ Packing Credit	Not Applicable	Not Applicable	Not Applicable	1.37	ACUITE B+/ Stable (Assigned)

Contacts

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About Acuité Ratings & Research:
Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.