

## Press Release

### Newgen Agro Processors Private Limited

March 16, 2020

Rating Upgraded



<b>Total Bank Facilities Rated*</b>	Rs.14.70 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable (Upgraded from ACUITE B+/Stable)
<b>Short Term Rating</b>	ACUITE A4+ (Upgraded from ACUITE A4)

\* Refer Annexure for details

#### Rating Rationale

Acuité has upgraded its long-term rating to '**ACUITE BB-**' (**read as ACUITE double B minus**) from '**ACUITE B+**' (**read as ACUITE B Plus**) and short-term rating to '**ACUITE A4+** (**read as ACUITE A four Plus**) from '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.14.70 crore bank facilities of Newgen Agro Processors Private Limited (NAPL). The outlook is '**Stable**'.

The rating upgrade reflects improvement in scale of operations along with the profitability which has led to overall improvement in the financial risk profile of the company. The revenue of the company improved to Rs.19.51 crore in FY2019 as against Rs.12.90 crore in FY2018. This had led to increase in net cash accruals to Rs.2.47 crores for FY2019 from Rs. 1.26 crore for FY2018. The upgrade also reflects an upward trend in the profitability margins as evident from operating margins (EBITDA) of 19.10 percent in FY2019 as against 18.95 per cent in FY2018 and net profit margins (PAT) of 7.59 per cent in FY2019 as against 0.70 per cent in FY2018. Owing to improved scale of operations as well as healthy profitability, there is improvement in the debt protection metrics, marked by Debt Service Coverage Ratio of 1.40 times for FY2019 as compared to 0.81 times for FY2018 and Interest Coverage Ratio (ICR) of 2.96 times for FY2019 as compared to 2.01 times for FY2018. The rating is however constrained due to subdued performance in current financial year i.e. FY2020, as reflected by a revenue of Rs. 15.84 crore during 11MFY2020.

NAPL was set up in 2010 by Mr. Remesh Kumar, Mr. Venugopal Ambady and Mr. Sreedharan. The commercial operations commenced from 2013. The company is engaged in processing 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 is derived from the sale of mango pulp and rest from the sale of guava pulp. NAPL sells its produce to various local players such as ITC Limited, Foods and Inns to name few.

#### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of NAPL to arrive at the rating.

#### Key Rating Drivers

##### Strengths

###### • Improving margins and established clientele

NAPL is engaged in the processing of fruit pulp from mangoes and guavas since 2013. The company benefits from repeated orders from reputed clientele such as ITC Limited, Foods and Inns and many more. Apart from selling to domestic players, NAPL exports the pulp to various countries such as Middle East, Europe and Tunisia, among others. The company has reported improvement in operating margins (EBITDA) of 19.10 percent in FY2019 as against 18.95 per cent in FY2018 and net profit margins (PAT) of 7.59 per cent in FY2019 as against 0.70 per cent in FY2018. This is mainly on account of higher contribution from exports in FY2019. Acuité believes that NAPL will continue to benefit from its experienced management and established relationships with customers and suppliers.

- **Moderate financial risk profile**

The financial risk profile of the company is moderate marked by moderate net worth, gearing, debt protection metrics and coverage indicators. The net worth of the company is moderate at Rs. 4.04 crore as on 31st March, 2019. The net worth levels have seen significant improvement over the last three years through FY2019 on account of improved profitability. Further, the company has maintained Rs. 2.62 crore in the form of unsecured loans which is subordinated to banking limits. The company has followed a moderate financial policy in the past. The gearing (debt-equity) levels improved at 1.62 times as on March 31, 2019 as against 4.05 times in previous year. NAPL's net cash accruals stood at Rs. 2.47 crore have supported in minimizing the reliance on external debt lead to healthy gearing and debt levels. The total debt of Rs. 6.57 crore as on 31 March 2019 comprises of long-term borrowings of Rs. 2.23 crores, unsecured loans of Rs.0.61 crore and working capital borrowings of Rs. 3.73 crore. The NCA/TD and interest coverage ratio for FY2019 were moderate at 0.38 percent and 2.96 times, respectively. Acuité believes that the financial risk profile is likely to remain moderate in near to medium term in absence of any major debt funded capex.

### Weaknesses

- **Working capital intensive operations albeit improvement**

NAPL's working capital cycle is stretched as reflected by Gross current assets (GCA) at 135 days as on March 31, 2019 as against 287 days in previous year. This is mainly on accounts of high inventory holding period of 111 days as on March 31, 2019 as against 260 days in previous year. The company has a policy to hold finished goods inventory for upto 6 months. Out of the total inventory of the company, majority is finished goods. The company has receivable cycle of around 25 days as on March, 2019 as against 47 days in previous year. On the other hand, the company gets less credit of around 10 days from its suppliers. As a result, the reliance on working capital limits utilized is around 90 percent during the FY2019. Acuité believes that an efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

### Rating Sensitivity

Improvement in scale of operations  
Sustenance of profitability

### Material Covenants

None

### Liquidity Position: Adequate

NAPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.22-2.47 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs.1.08-1.84 crore over the same period. The cash accruals of the company are estimated to remain around Rs.2.28-2.86 crore during 2020-22, while its repayment obligations are estimated to be around Rs.0.15-1.00 crore during the same period. The company's operations are stretched as marked by Gross Current Assets (GCA) of 135 days as on 31 March, 2019. The working capital borrowings remains utilized at around 90 percent during the last seven months ended February, 2020. The current ratio of the company stood moderate at 1.01 times as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accrual as against debt repayments over the medium term.

### Outlook: Stable

Acuité believes that NAPL's outlook will remain stable owing to the established relationships with customers and suppliers. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while improving its profitability. Conversely, the outlook may be revised to 'Negative' in case of deterioration in its financial risk profile and elongation in working capital cycle management.

### About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	19.51	12.90
PAT	Rs. Cr.	1.48	0.09
PAT Margin	(%)	7.59	0.70
Total Debt/Tangible Net Worth	Times	1.62	4.05
PBDIT/Interest	Times	2.96	2.01

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

Not Applicable

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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
2-Jan-2019	Cash Credit	Long Term	7.00	ACUITE B+/ Stable (Upgraded)
	Packing Credit	Short Term	1.63	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	3.66	ACUITE B+/ Stable (Upgraded)
	Proposed Bank Facility	Long Term	1.04	ACUITE B+/ Stable (Upgraded)
	Proposed Cash Credit	Long Term	1.37	ACUITE B+/ Stable (Assigned)
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 BB-/ Stable (Upgraded)
Term Loan	March 2014	Not Applicable	March 2021	0.55	ACUITE BB-/ Stable (Upgraded)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	1.63	ACUITE A4+ (Upgraded)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.52	ACUITE BB-/ Stable (Upgraded)

## Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Disha N. Parmar Analyst - Rating Operations Tel: 022-49294054 <a href="mailto:Disha.parmar@acuite.in">Disha.parmar@acuite.in</a>	

### About Acuité Ratings & Research:

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