Press Release

Maris Agro Products Private Limited

D-U-N-S® Number: 91-583-9070

January 09, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 4.50 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable
Short Term Rating	ACUITE A4+

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' **(read as ACUITE double B)** and short term rating of **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs. 4.50 crore bank facilities of Maris Agro Products Private Limited. The outlook is **'Stable'**.

MARIS AGRO PRODUCTS PRIVATE LIMITED was established in 2003, is the sister concern of HAVUKAL TEA AND PRODUCE COMPANY PRIVATE LIMITED (HTPC) is engaged in manufacturing of Orthodox green tea with 85 percent of produce is exported to the countries like Germany, Netherland, USA and Indonesia to name few. HTPC was established in 1976 as a closely held family business which is engaged in manufacturing of Orthodox black tea with 70 percent of produce is exported to the countries including Russia, UK, Poland and Turkey to name few.

Analytical Approach

Acuité has considered the consolidated business and financial risk profiles of Havukal Tea And Produce Company Private Limited and MARIS AGRO PRODUCTS PRIVATE Limited hereinafter referred to as the Havukal group. The consolidation is mainly on account of similarities in the lines of business, strong operational, financial synergies and common management. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

- **Experienced management**

  Mr. Jayaraman and Mr, Raghuraman, the promoters of the group, have been in this line of business for over 3 decades. The promoters' extensive experience in tea industry has helped develop healthy relations with their customers and suppliers over the period. Acuité believes that the group's long track record of operations and promoter's extensive experience in the tea industry will help the group maintain stable and healthy relations with its customers and suppliers.

- **Above average financial risk profile and healthy working capital cycle**

  Financial risk profile of Havukal Group is above average as debt-equity ratio stood at 0.50 times in FY18 as against 0.37 times in FY17. Total outside Liability to Total Net worth (TOL/TNW) stood at a higher side at 0.74 times in FY18 as against 0.58 times in FY17. Debt service metrics of Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio (DSCR) stood at 8.18 times and 2.10 times respectively in FY18 as against 16.28 times and 3.00 times respectively in FY17. Profitability metrics stood moderate with EBITDA margin at 11.39 percent in FY18 as against 14.11 percent in FY17, while PAT margin stood at 2.68 percent in FY18 as against 4.97 percent in FY17. Working capital cycle of the group is healthy with Gross Current Assets (GCA) of 72 days in FY18 as against 52 days in FY17, with inventory at 23 days in FY18 as against 24 days in FY17.

Weaknesses

- **Modest Scale of operations and intensely competitive industry**
  The scale of operations is modest marked by revenue of Rs.50.39 crore in FY 2018 as compare to Rs.45.06 crore in FY 2017. The intensely competitive business environment is due to fragmented nature of the industry with presence of multiple players in the organised and unorganised segments.

- **Profit margins are susceptible to volatility in raw material prices**
  The operating margins of the group are highly depended on raw material prices. Further, raw material price depend on various factors such as exposure to agro-climatic risk which could affect the availability of Tea leaves in adverse weather conditions.

Liquidity Position:

Liquidity position of the group is tightly matched with Cash Credit facility, which is fully utilised as confirmed by the banker.

Outlook: Stable

Acuité believes that Havukal Group will maintain 'Stable' business risk profile in the medium term on account of its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins. Conversely the outlook may be revised to 'Negative' in case the group registers lower-than-expected growth in revenues and profitability or in case of deterioration in the group's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	50.39	45.06	47.31
EBITDA	Rs. Cr.	5.74	6.36	6.64
PAT	Rs. Cr.	1.35	2.24	2.37
EBITDA Margin	(%)	11.39	14.11	14.03
PAT Margin	(%)	2.68	4.97	5.01
ROCE	(%)	7.61	12.75	33.35
Total Debt/Tangible Net Worth	Times	0.50	0.37	0.38
PBDIT/Interest	Times	8.18	16.28	15.95
Total Debt/PBDIT	Times	1.74	1.10	0.97
Gross Current Assets (Days)	Days	72	52	67

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

None

Any other information

None

Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Consolidation Of Companies - https://www.acuite.in/criteria-consolidation.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Not Applicable

***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	1.00	ACUITE BB / Stable (Assigned)
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4+ (Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	1.16	ACUITE BB / Stable(Assigned)
Proposed	Not Applicable	Not Applicable	Not Applicable	0.34	ACUITE BB / Stable(Assigned)

Contacts

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About Acuité Ratings & Research:

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