

Press Release

Maris Agro Products Private Limited

March 27, 2020

Rating Reaffirmed



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 reaffirmed the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and the 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 (MAPPL). The outlook is '**Stable**'.

About the company

MAPPL was established in 1990, is the sister concern of HAVUKAL TEA AND PRODUCE COMPANY PRIVATE LIMITED is engaged in manufacturing of Orthodox green tea with ~85 percent of exports to the countries like Europe, Russia, USA, Dubai, Pakistan & Australia to name few. The factory presently has a manufacturing capacity of 1.5 million kgs Orthodox Green teas of various grades. The company sells tea under the brand name - 'Warwick'.

About the group

Havukal Group comprises of two companies namely- 'HAVUKAL TEA AND PRODUCE COMPANY PRIVATE LIMITED' and 'MARIS AGRO PRODUCTS PRIVATE LIMITED'. The group was established in 1976 and is engaged in manufacturing of orthodox black tea and orthodox green tea of various grades respectively.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of HAVUKAL TEA AND PRODUCE COMPANY PRIVATE LIMITED (HTPCPL) and MARIS AGRO PRODUCTS PRIVATE LIMITED (MAPPL) hereinafter referred to as the 'Havukal Group' (HG). The consolidation is mainly on account of similar line of business, strong operational & financial synergies and common management. Extent of Consolidation: Full

Key Rating Drivers

Strengths

• **Established track record of operations and experienced management**

Tamil Nadu-based, Havukal Group (HG) was established in 1976; thus, the group has an operational track record of over four decades in the tea industry. The promoters of the group, Mr. T. Jayaraman and Mr. T. Raghuraman have an experience of over three decades in the aforementioned line of business. The long track record of operations and experience of the management have helped the group develop healthy relationships with its customers and suppliers. Acuité believes that HG will sustain its existing business profile on the back of established track record of operations and experienced management.

• **Moderate financial risk profile**

The financial risk profile of the group is moderate marked by healthy tangible net worth, comfortable debt protection measures and low gearing. The net worth of the group stood at Rs. 22.12 crore as on March 31, 2019 as against Rs. 20.60 crore on March 31, 2018.

The group has followed a conservative financial policy as reflected by gearing of 0.50 times as on 31 March, 2019 (PY: 0.50 times). Total debt of Rs. 11.02 crore mainly comprises of Rs. 4.44 crore of working capital borrowings, Rs. 3.05 crore of unsecured loans and Rs. 3.54 crore of long term debt. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.71 times as on March 31, 2019 as against 0.74 times as on 31 March, 2018.

The coverage indicators stood comfortable marked by Interest Coverage Ratio (ICR) of 9.21 times for FY2019 as against 8.18 times for FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.51 times as on March 31, 2019 as against 0.49 times as on March 31, 2018.

Acuité believes that the financial risk profile of HG will continue to remain moderate backed by average net cash accruals and in the absence of any major debt funded capex in near to medium term.

- **Efficiently managed working capital operations**

The group has efficiently managed its working capital operations marked by Gross Current Assets (GCA) of 72 days for FY2019 as against 70 days for FY2018. The debtors stood at 23 days for FY2019 as against 32 days for FY2018. The inventory level stood at 32 days for FY2019 as against 22 days for FY2018. Acuité believes that the group's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

Weaknesses

- **Customer Concentration Risk**

The group faces high customer concentration risk with ~40 percent of the revenues generated from single customer- 'Unilever Group'. Further, revenue generated from top 2 customers are nearly 60 percent. Acuité believes that the high customer concentration renders the revenue growth and profitability susceptible to the growth plans, procurement and credit policies of its key customers.

- **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 depends on various factors such as exposure to agro-climatic risk which could affect the availability of Tea leaves in adverse weather conditions.

- **Highly fragmented and competitive industry**

The group operates in a highly fragmented industry with large number of organized and unorganized players present in the market.

Rating Sensitivities

- Substantial improvement in scale of operation while maintaining profitability margin over the medium term.
- Stretch in working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile.

Any Material Covenants

None

Liquidity Position: Adequate

HG has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs. 5.61 crore for FY2019, while its maturing debt obligations were Rs. 1.20 crore for the same period. The cash accruals of the group are estimated to remain in the range of ~Rs. 6.00 crore to Rs. 7.50 crore during 2020-22 against debt obligation in the range of ~ Rs. 1.00 crore to Rs. 1.50 crore. The group has efficiently managed working capital operations marked by GCA days of 72 days for FY2019. The group maintains unencumbered cash and bank balances of Rs. 0.12 crore as on 31 March, 2019. The current ratio stood at 1.19 times as on 31 March, 2019. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of healthy cash accruals to its maturing debt obligation.

Outlook: Stable

Acuité believes that HG will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the group registers higher-than-expected growth in its revenues and profitability while maintaining its liquidity position. 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 or significant elongation in working capital cycle.

About the Rated Entity - Key Financials (Consolidated)

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	60.06	52.73
PAT	Rs. Cr.	1.75	1.35
PAT Margin	(%)	2.91	2.56
Total Debt/Tangible Net Worth	Times	0.50	0.50
PBDIT/Interest	Times	9.21	8.18

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-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation of companies- <https://www.acuite.in/view-rating-criteria-60.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
09-Jan-2019	Cash Credit	Long Term	1.00	ACUITE BB / Stable (Assigned)
	Packing Credit	Short Term	2.00	ACUITE A4+ (Assigned)
	Term Loan	Long Term	1.16	ACUITE BB / Stable (Assigned)
	Proposed Bank Facility	Long Term	0.34	ACUITE BB / 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	1.00	ACUITE BB / Stable (Reaffirmed)
Packing Credit	Not applicable	Not applicable	Not applicable	2.00*	ACUITE A4+ (Reaffirmed)
Term Loan	12-Apr-2017	Not applicable	31-Mar-2022	0.25	ACUITE BB / Stable (Reaffirmed)
Term Loan	01-Dec-2015	Not applicable	31-Mar-2021	0.16	ACUITE BB / Stable (Reaffirmed)
Proposed Bank Facility	Not applicable	Not applicable	Not applicable	1.09	ACUITE BB / Stable (Reaffirmed)

* Includes sublimit of EBP/D/N (Bill discounting) to the extent of Rs. 2.00 crore.

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About Acuité Ratings & Research:

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