

Press Release

Maris Agro Products Private Limited

July 15, 2021



Rating Upgraded, Reaffirmed & Withdrawn

Total Bank Facilities Rated*	Rs.4.50 Cr.
Long Term Rating	ACUITE BB+/ Outlook: Stable (Upgraded from ACUITE BB/ Stable & Withdrawn)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

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

Acuité has also upgraded and withdrawn the rating to '**ACUITE BB+** (read as ACUITE double B plus) from '**ACUITE BB**' (read as ACUITE double B) on the Rs.0.40 crore bank facilities of MAPPL based on withdrawal mail and no dues certificate from the banker.

The upgrade in the rating reflects the significant improvement in the business and the financial risk profile in FY2020 and FY2021 (Provisional) and healthy unexecuted order book position which gives adequate revenue visibility over the medium term. Coupled to that, the rating also factors the expected improvement in the revenues, financial risk profile, working capital operations and liquidity position going forward.

About the Company

Coimbatore-based, MAPPL was established in 1990. It is the sister concern of Havukal Tea And Produce Company Private Limited and is engaged in manufacturing of Orthodox green tea with ~95 percent of exports to the countries like Europe, Russia, USA, Dubai, Pakistan & Australia to name few. The factory presently has a manufacturing capacity of 10 lakh 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 (HTCPL) 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**

Coimbatore-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. Anandkumar Rengaswamy Mr. Ramaswami Nandakumar, Mr. Thangavelu Jayaraman, Mr. Karthik Narayan Jayaraman, Mr. Thangavelu Raghuraman and R. Ajaykumar 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 which translated to improvement in revenue

growth, year-on-year, from Rs.52.73 crore in FY2018 to Rs.70.44 crore in FY2020; a compounded annual growth rate of about 16 percent. However, due to price fluctuations in the export market the revenue came down to Rs.56.49 crore in FY2021 (Provisional).

Acuité believes that the experience of the management in the industry is likely to favorably impact the business risk profile and the financial risk profile of the group over the near to medium term.

- **Comfortable financial risk profile**

Financial risk profile of the group is comfortable marked by improving gearing (debt to equity ratio) & total outside liabilities to total net worth (TOL/TNW), and comfortable debt protection metrics. The gearing stood at 0.28 times as on March 31, 2020 against 0.50 times as on March 31, 2019 on account of plough back of profits to reserves. TOL/TNW stood at 0.52 times as on March 31, 2020 against 0.73 times as on March 31, 2019. Tangible net worth of the group stood modest at Rs.24.72 crore as on March 31, 2020 against Rs.22.12 crore as on March 31, 2019. The total debt of Rs.7.02 crore as on March 31, 2020 mainly consists of long-term debt of Rs.3.13 crore, short-term debt stood of Rs.3.13 crore and unsecured loans of Rs.0.75 crore. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood comfortable at 10.74 times and 0.98 times respectively in FY2020; while DSCR stood at 3.72 times in FY2020.

HTPCPL has availed Covid Loan (Cent GECL TL) of Rs.0.88 crore as on June, 2020. The repayment is expected to be completed by July, 2024. MAPPL has also availed Covid Loan (CGECL TL) as on June, 2020. The repayment is expected to be completed by July, 2021.

Acuité believes that the financial risk profile of the group is expected to remain comfortable on account of modest net worth backed by healthy cash accruals vis- à-vis moderate debt repayment obligations and comfortable debt protection metrics.

- **Efficiently managed working capital operations**

The group's working capital operations are efficiently managed marked by Gross Current Asset days (GCA) of 56 days in FY2020 against 74 days in FY2020. The inventory days stood at 25 days in FY2021 (Provisional) against 32 days in FY2020. The inventory holding policy depends on the market conditions. Generally, the group maintains inventory holding policy of maximum 1 month. The debtors' days stood at 23 days in FY2020 as against 23 days in FY2019 which is corresponding to normal terms with the customers. However, working capital bank lines remains utilized at ~70-80 percent for last trailing 7 months ended May, 2021.

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'.

Acuite 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.

- **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.

- **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.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any deterioration of its financial risk profile and liquidity position.
- Any elongation of the working capital cycle leading to deterioration in debt protection metrics.

Material Covenants

None

Liquidity: Adequate

The group has an adequate liquidity position as reflected by adequate net cash accruals against moderate repayment obligations. The group generated cash accruals in the range of Rs.4.97 crore – Rs.6.85 crore during the last three years through FY2018-20 against moderate repayment obligations in the range of Rs.1.20 crore – Rs.1.34 crore during the same period. It is expected to generate cash accruals in the range of Rs.8.55 crore – Rs.9.87 crore over the medium term, against moderate repayment obligations in the range of Rs.0.92 crore – Rs.1.09 crore. Unencumbered cash and bank balances stood at Rs.0.33 crore as on March 31, 2020 with a current ratio of 1.14 times in the same period. The working capital limits remained utilized at ~70-80 percent for last trailing 7 months ended May, 2021.

Acuité believes that liquidity profile is expected to remain adequate on account of adequate cash accruals against moderate repayment obligations.

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

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	70.44	60.06
PAT	Rs. Cr.	2.86	1.75
PAT Margin	(%)	4.07	2.91
Total Debt/Tangible Net Worth	Times	0.28	0.50
PBDIT/Interest	Times	10.74	9.21

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.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/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Mar-2020	Cash Credit	Long Term	1.00	ACUITE BB/ Stable (Reaffirmed)
	Packing Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	0.25	ACUITE BB/ Stable (Reaffirmed)
	Term Loan	Long Term	0.16	ACUITE BB/ Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.09	ACUITE BB/ Stable (Reaffirmed)

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 Long Term Loan	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 (Upgraded from ACUITE BB/ Stable)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	2.00*	ACUITE A4+ (Reaffirmed)
Term Loan	Dec, 2015	Not Available	Sep, 2020	0.25^	ACUITE BB+/ Stable (Upgraded from ACUITE BB/ Stable & Withdrawn)
Term Loan	Apr, 2017	Not Available	Apr, 2021	0.15^	ACUITE BB+/ Stable (Upgraded from ACUITE BB/ Stable & Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB+/ Stable (Upgraded from ACUITE BB/ Stable)

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

\$Interchangeability between cash credit facility and packing credit facility.

^Amount not included in total facilities rated.

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About Acuité Ratings & Research:

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