

Press Release

Maris Agro Products Private Limited

February 27, 2023



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.50	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	2.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	4.50	-	-

Rating Rationale

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

Rationale for rating reaffirmation:

The rating reaffirmation takes into account stable operating and financial performance of Havukal Group, marked by stable operating income and moderate financial risk profile. The group generated an operating income of Rs.56.67Cr in FY22 as against Rs.56.30Cr in FY21. The group has generated revenue of Rs.42.81Cr in 9MFY23 and is expected to close the year in the range of Rs.55-57Cr with improvement in operationing margins driven by cost savings. The financial risk profile of the group remains moderate in FY22 however, deterioration is observed in debt protection metrics. With expected improvement in operating performance the overall leverage levels and debt protection metrics is expected to improve. The liquidity position of the group is adequate with sufficient cash accruals againts debt repayment obligations and with moderate bank limits utilization levels. Going forward, significant and sustainable improvement in scale of operations and profitability levels will be a key monitorable aspect.

About 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

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuite has considered the consolidated 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, operational & financial synergies and common management

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. However, due to price fluctuations in the export market and difficulty in procuring raw materials there is continuous decline in operating margins from 11.48 percent in FY20 to 6.11 percent in FY21 and further declined to 2.84 percent in FY22. However, driven by savings on freight costs and production costs, operating profitability margins have recorded a significant improvement in 9MFY23 and are expected to reach back the FY2020 levels by year end.

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

Efficiently managed working capital operations:

The group's working capital operations are efficiently managed marked by Gross Current Asset days (GCA) of 71 days in FY22 against 76 days in FY21. The inventory days stood at 42 days in FY22 against 34 days in FY21. 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 21 days in FY22 as against 29 days in FY21 which is corresponding to normal terms with the customers. However, working capital bank lines remains utilized at ~35-40 percent for Havukal and 50-59 percent for Maris agro for last trailing 12 months ended December, 2022.

Average financial risk profile:

The financial risk profile of the group is moderate marked by moderate net worth and debt protection metrics. The net worth of the group stood at Rs.22.20cr as on March 31, 2022 against Rs.24.19Cr in previous year. This decline is on account of loss in FY22 The gearing level of the company is healthy at 0.35 times as on March 31, 2022 against 0.31 times in previous year. The Debt protection metrics of the group are moderate. The Interest coverage ratio stood at 3.33 times as on March 31, 2022 from 7.16 times as on March 31, 2021. Debt service coverage ratio declined to 1.33 times as on March 31, 2022 from 2.02 times in previous year and TOL/TNW stood at 0.52 times as on March 31, 2022.

Acuite believes that with reduction in overall debt and improvement in absolute EBITDA in 9MFY2023, debt protection metrics and leverage levels are expected to improve by year

end.

Weaknesses

Stagnation in revenue and fluctuations in margins:

Havukal group's revenue have remained stable over the last two years ended FY2022 as it stood at Rs.56.67 Cr in FY2022 and Rs.56.30Cr in FY21. The revenue stood at Rs.70.44 Cr in FY2020. The decline in revenue is primarily due to limited orders due to increasing competition. The operational margins of the group have been declining over the past three years, from 11.48 percent in FY20 to 6.11 in FY21 this was further declined to 2.84 percent in FY22. The decline is primarily due to increasing in raw material prices, high production costs and increasing freight costs. The group in 9MFY23 have recorded a significant improvement in profitability levels driven by modifications in production methods and moderation in freights costs and are expected to reach the pre-Covid levels of profitability by year end.

Acuite believes the Group's ability to significantly and sustainably improve its scale of operations and profitability levels will remain a key rating monitorable.

Susceptibility 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. Thus inadequate rainfall could affect the tea plantation, further adverse change in the raw material price due to supply-demand scenario can lead to fluctuation in operational margins of all the plays across the industry.

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 Position

Adequate

liquidity position of Havukal group is adequate with adequate Net Cash Accruals (NCA's) and moderate dependency working capital limits. The group has generated NCA of Rs.1.74Cr in FY22 against debt obligation of Rs.1.19 Cr. The company is expected to generate adequate NCAs in the range of Rs.6.22-7.1 Cr. against low CPLTD of Rs.0.8 -Rs.0.7 Cr. The Gross Current Assets days stood at 71 days as on March, 31,2022. The consolidated working capital limits of Rs.3.50 Cr were utilized at an average of nearly 55.00 per cent for the 12 months ending December, 2022. Havukal group had low level of unencumbered cash and bank balance of Rs.0.09 Cr and its current ratio stood at 1.17 times as on March 31, 2022 against 1.23 times in previous year.

Outlook: Stable

Acuite 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	56.67	56.30
PAT	Rs. Cr.	(1.89)	(0.60)
PAT Margin	(%)	(3.33)	(1.07)
Total Debt/Tangible Net Worth	Times	0.35	0.31
PBDIT/Interest	Times	3.33	7.16

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

None

Any Other Information

None

Applicable Criteria

- Application Of 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>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Oct 2022	Cash Credit	Long Term	1.00	ACUITE BB+ (Issuer not co-operating*)
	Proposed Bank Facility	Long Term	1.50	ACUITE BB+ (Issuer not co-operating*)
	Packing Credit	Short Term	2.00	ACUITE A4+ (Issuer not co-operating*)
	Term Loan	Long Term	0.25	ACUITE BB+ (Withdrawn)

15 Jul 2021	Cash Credit	Long Term	1.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	0.15	ACUITE BB+ (Withdrawn)
	Packing Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Proposed Bank Facility	Long Term	1.50	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
27 Mar 2020	Packing Credit	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	0.25	ACUITE BB Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE BB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.09	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	0.16	ACUITE BB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Central Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BB+ Stable Reaffirmed
Central Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A4+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.50	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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