



Press Release
Maris Agro Products Private Limited
May 27, 2024
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.4.50 Cr. 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.54.71 Cr. in FY2023 as against Rs.56.67 Cr. in FY2022 and is expected to register revenue in the range of Rs.55-57 Cr. with improvement in operating margins driven by cost savings and automation in process adopted by the group. The financial risk profile of the group remains moderate in FY2023 with marginal improvement 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 against 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

Maris Agro Products Private Limited (MAPPL) was established in 1990. The company is engaged in manufacturing of Orthodox green tea. The Present Directors of the company are Mr. Thangavelu Jayaraman, Mr. Thangavelu Raghuraman, Mr. Jayaraman Karthik Narayan and Mr. Raghuraman Ajaykumar. The registered office of the company is in Tamil Nadu.

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.

Unsupported Rating

Not applicable

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

Moderate financial risk profile:

The group's financial risk profile remained moderate in FY23 with moderate network, low gearing levels and moderate debt protection metrics. The net worth of the group has declined to Rs.20.81Cr as of March 31, 2023, from Rs.22.20Cr as of March 31, 2022, due to net loss reported during the year. The gearing levels remained healthy at 0.39 times as of March 31, 2023 against 0.35 times as of March 31, 2022. Total outside liabilities/tangible net worth (TOL/TNW) remained low at 0.50 times as of March 31, 2023 against 0.52 times as of March 31, 2022. Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood comfortable at 3.43 times and 1.76 times respectively, as of March 31, 2023 against 3.34 times and 1.33 times respectively, as of March 31, 2022. Debt to EBITDA improved marginally by 3.92 times as of March 31, 2023 from 4.72 times as of March 31, 2022 due to an increase in absolute EBITDA. Acuite believes that the financial risk profile of the group will remain moderate for FY2024 as well on account of moderate net worth and low debt levels.

Efficient working capital operations:

The group's working capital operations are efficiently managed, marked by gross current asset days (GCA) of 61 days in FY2023 against 70 days in FY2022. The inventory days stood at 36 days in FY2023, against 42 days in FY2022. The inventory holding policy depends on market conditions. Generally, the group maintains an inventory holding policy of at least 1 month. The debtors' days stood at 17 days in FY2023 as against 21 days in FY2022, which corresponds to normal terms with the customers. However, working capital bank lines remained utilised at an average of ~80 percent for Havukal and ~46 percent for Maris Agro during the last 6 months of the period ending March 2024. Acuite believes that the working capital operations would remain in similar range over the medium term

Weaknesses

Stagnant growth in operating performance.

The group has registered stable operating revenue of Rs.54.71Cr in FY2023 against Rs.56.67Cr in FY2022. Further, the group is estimated to register stable revenue in the range of Rs.55-57Cr for FY2024. However, the performance of the group in terms of revenue has declined when

compared to the pre-COVID range of Rs.65-70Cr, due to a decline in orders.

The group is having difficulty in procuring raw materials, due to intense competition, the group sometimes purchases raw materials at higher rates. Despite the increase in raw material costs, the operating profit margin has improved marginally to 3.74 percent in FY2023 from 2.85 percent in FY2022 and is further expected to improve in the range of 4-4.5 percent in FY2024 due to the group's adoption of a fully automated production process, leading to a decline in employee costs, and the use of firewood, which is cheaper than coal. The group has incurred a net loss of Rs. 1.42Cr for FY2023 due to higher depreciation costs. Further, it is estimated to incur net loss for FY2024 as well due to depreciation. Going forward, the revenue of the group is expected to remain in a similar range. However, operating profit margins are expected to improve marginally due to the expected reduction in production costs.

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 players across the industry.

Rating Sensitivities

- Growth in revenue with improvement in 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.

Liquidity Position: Adequate

The liquidity position of the group is adequate, as reflected by sufficient net cash accruals (NCA) against the maturing debt repayment obligations. The group has registered a NCA of Rs.1.87 Cr. during FY2023, against maturing debt obligations of Rs.0.80 Cr. The fund based working capital limits were moderately utilised at an average of ~70 percent for the past 6 months period ending March, 2024. Going forward, the group is expected to generate cash accruals in the range of Rs.2.1-2.6 Cr over the medium term, while repayment obligations are expected to be in the range of Rs.0.20-Rs.0.80 Cr. for the same period. Acuite believes that the liquidity position of the company will remain adequate on the back of healthy cash accrual generation.

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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	54.71	56.67
PAT	Rs. Cr.	(1.42)	(1.89)
PAT Margin	(%)	(2.60)	(3.34)
Total Debt/Tangible Net Worth	Times	0.39	0.35
PBDIT/Interest	Times	3.43	3.34

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

Not applicable

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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
27 Feb 2023	Cash Credit	Long Term	1.00	ACUITE BB+ Stable (Reaffirmed)
	PC/PCFC	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.50	ACUITE BB+ Stable (Reaffirmed)
07 Oct 2022	Cash Credit	Long Term	1.00	ACUITE BB+ (Reaffirmed & Issuer not co-operating*)
	PC/PCFC	Short Term	2.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	1.50	ACUITE BB+ (Reaffirmed & Issuer not co-operating*)
15 Jul 2021	Cash Credit	Long Term	1.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	PC/PCFC	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	1.50	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	0.15	ACUITE BB+ (Upgraded & Withdrawn)
	Term Loan	Long Term	0.25	ACUITE BB+ (Upgraded & Withdrawn)

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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE BB+ Stable Reaffirmed
Central Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A4+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.50	ACUITE BB+ Stable Reaffirmed

*Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)

1. Havukal Tea and Produce Company Private Limited.
2. Maris Agro Products Private Limited.

Contacts

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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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