

Press Release

Holyland Marketing Private Limited

January 16, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 23.00 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) to the Rs. 23.00 crore bank facilities of Holyland Marketing Private Limited (HMPL). The outlook is '**Stable**'.

HMPL is a New Delhi based company incorporated in 1995. HMPL is promoted by Mr. Vijay Kumar Budhraj, Mr. Harith Budhraj and Mr. Kapil Budhraj who have experience of over two decades in food processing and packaged food industry. The company is engaged in the processing and trading of food products such as monosodium glutamate (MSG), canned fruits, canned vegetables and meat.

The company derives its major revenues from selling of MSG, Mushrooms, cut fruits and vegetables products. The company packages and trades its canned products under its own brands- Golden Crown, Canz, Seville, and Euro Gold. HMPL has other group entities, namely, M/s Bharat Agro (BA), M/s Harith Udhog (HU) and M/s Holyland Crafts International (HCI). They all are engaged in similar activity. Going forward, these entities are likely to get merged with HMPL.

Analytical Approach

For arriving at the rating, Acuite has considered consolidated business and financial risk profiles of Holyland Marketing Private Limited (HMPL), M/s Bharat Agro (BA), M/s Harith Udhog (HU) and M/s Holyland Crafts International (HCI) together referred as Holyland Group (HLG). The consolidation is mainly on account of common management, significant operational and financial synergies between these entities. All these entities are engaged in a similar line of business. Extent of Consolidation : Full.

Key Rating Drivers

Strengths

- **Established player in processed food sector**

HLG has an established track record of over two decades in food processing and packaged food industry. The company's manufacturing (Processing) unit is located at Bakhtawarpur (Delhi) and Ghaziabad (Uttar Pradesh). The company has successfully established market for its own brands which includes Golden Crown, Canz, Seville, and Euro Gold in domestic as well as international market. HLG sells its products mainly to restaurants and hotels through dealers and distributors in domestic market. A part of its production is exported to various countries such as Nepal and Bhutan. The Budhraj family's extensive industry experience has enabled the group to establish long term relations with customers and suppliers. Acuite believes that HGL will sustain its existing business profile on the back of established track record of operations and longstanding relationships with a diversified clientele base.

- **Healthy financial risk profile marked by robust debt protection metrics and conservative capital structure**

The financial risk profile of HLG is marked by tangible net worth of Rs.30.60 crore as on 31 March, 2018 (Provisional) as against Rs.20.16 crore as on 31 March, 2017 mainly on account of plough back of profits. The gearing (debt-equity) stood comfortable at 0.56 times as on 31 March, 2018 (Provisional) as against 1.01 times as on 31 March, 2017. The debt of Rs.17.16 crore mainly comprises unsecured loans from family and friends of Rs.1.91 crore and short term working capital borrowing of Rs.15.25 crore as on 31 March, 2018 (Provisional). Interest Coverage Ratio (ICR) improved to 10.40

times in FY2018 (Provisional) as against 6.83 times in FY2017, mainly on account of improvement in

operating margins from 7.43 percent in FY2017 to 9.72 percent in FY2018 (Provisional). The margin improvement is on account of adding of new products and increase in distribution network. Total Debt to Tangible Net Worth stood comfortable at 0.56 times as on 31 March, 2018 which has improved from 1.01 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.45 times as on 31 March, 2018 (Provisional) which has improved from 1.84 times as on 31 March, 2017. Net Cash Accruals / Total Debt (NCA/TD) stood at 0.84 times as on 31 March, 2018 (Provisional) as against 0.42 times as on 31 March, 2017. Acuite expects that the group will maintain its financial risk profile in the absence of any major debt funded capex plans and plough back of earnings in the business.

Weaknesses

• Susceptibility associated to change in regulatory framework

HLG is engaged in food processing and packaged food industry which is subject to strict regulations. Any change in government regulation related to the industry such as packaging of canned/processed food products, quality of products, environmental and health regulations can significantly impact operational cost. Besides, external factors such as risk associated due to shift in consumer preferences, emerging of new brands/products or occurrence events which may significantly bring change in perception of brand/products. Further, any actions of third party (surveys conducted by NGO/ research Laboratories or the marketing middleman) against the established brands/products will have significant impact on operational and financial performance of the company.

• Highly competitive and fragmented industry

The food processing industry is highly competitive and fragmented marked by presence of several organised and unorganised players. The intense competition and presence of well-established brands in the food processing industry restricts operations and market reach to certain extent for players like HLG. However, factors such as increased demand for packaged food products, increase in disposable income, changing food habits of young population and increase in working population, especially women in India, is likely to boost industry to certain extent.

Outlook: Stable

Acuite believes that HLG will maintain a 'Stable' business risk profile over the medium term. The group will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the group registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's revenues or profit margins, or in case of deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	200.61	161.19	127.66
EBITDA	Rs. Cr.	19.49	11.98	6.53
PAT	Rs. Cr.	13.84	7.98	4.37
EBITDA Margin	(%)	9.72	7.43	5.12
PAT Margin	(%)	6.90	4.95	3.42
ROCE	(%)	42.82	32.25	27.08
Total Debt/Tangible Net Worth	Times	0.56	1.01	1.35
PBDIT/Interest	Times	10.40	6.83	4.92
Total Debt/PBDIT	Times	0.88	1.70	2.39
Gross Current Assets (Days)	Days	120	109	123

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB / Stable
Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00*	ACUITE BBB / Stable
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BBB / Stable

*Sub-limit of overdraft Rs.3.00 crore BG/LC/PC/BD

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About Acuité Ratings & Research:

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