

Press Release

Holyland Marketing Private Limited (HMPL)

January 21, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.30.00 Cr. (Enhanced from Rs.23.00 crore)
Long Term Rating	ACUITE BBB/Stable (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs. 30.00 crore bank facilities of Holyland Marketing Private Limited. The outlook is '**Stable**'.

New Delhi based Holyland Marketing Private Limited (HMPL) was incorporated in 1995. 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 sells its products under its own brands - Golden Crown, Canz, Seville, and Euro Gold with a chain of distributors of over 1000+ dealers across India.

About the group

Holyland Group (HLG) comprises of Holy-land Marketing Private Limited (HMPL), M/s Bharat Agro (BA), M/s Harith Udhog (HU) and M/s Holy-land Crafts International (HCI) together referred as Holy-land Group (HLG). The group is engaged in processing, trading, distribution of canned food.

Analytical Approach

For arriving at the rating, Acuite has considered consolidated business and financial risk profiles of Holy-land Marketing Private Limited (HMPL), M/s Bharat Agro (BA), M/s Harith Udhog (HU) and M/s Holy-land Crafts International (HCI) together referred as Holy-land 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

- Long track record of operation and reputed clientele**

The group has an established track record of over two decades in food processing and packaged food industry. The company's 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. The company has built healthy relationship with reputed domestic clients, such as Hilton hotels and resorts, The Lalit, Lemon tree hotels, Le meridian and Taj hotel resort and palaces among others. The Budhraj family's extensive industry experience has enabled the group to establish long 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 reputed clientele base.

- Above average financial risk profile**

The financial risk profile of the group is above average marked by tangible net worth of Rs.34.38 crore as on 31 March, 2019 as against Rs.29.35 crore as on 31 March, 2018 mainly on account of healthy accreditation to reserves. The gearing (debt-equity) stood comfortable at 0.66 times as on 31 March, 2019 as against 0.59 times as on 31 March, 2018. The total debt stood at Rs.22.69 crore 31 March, 2019 comprises of short term working capital borrowing of Rs.20.19 crore and unsecured loans from family and friends of Rs. 2.50 crore. The

coverage indicators stood healthy marked by Interest Coverage Ratio (ICR) of 5.68 times in FY2019 as against 9.96 times in FY2018, the decline in ICR is majorly on account of decline in operating margins to 4.75 percent in FY2019 from 8.93 percent in FY2018. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.47 times as on 31 March, 2019 against 1.43 times as on 31 March, 2018. DSCR decline to 4.28 times in FY2019 from 8.30 times in FY2018, the decline in DSCR is majorly on account of decline in operating margins to 4.75 percent in FY2019 from 8.93 percent in FY2018.

Acuite expects that the group will maintain above average financial risk profile in the absence of any major debt funded capex plans and plough back of earnings in the business.

- **Efficient working capital operations**

The group's working capital is efficiently managed marked by gross current asset (GCA) days of around 124 days for FY2019 as against 114 days in the previous year. This is on the account of realization of payments from customers marked by debtor days of 59 in FY2019 as against 58 days in FY2018. The inventory holding period stood at 54 days in FY2019 as against 51 days in FY2018. Further, the creditor days stood at 48 days in FY2019 as against 47 days in FY2018. Incremental working capital requirements with growth in scale of operations have resulted in moderate fund based bank limit utilization levels. The average cash credit limit utilization is moderate at ~82 percent during the last eleven months ended as on August, 2019.

Weaknesses

- **Decline in operating and profitability margin**

The business profile of the company has deteriorated marginally in FY2019 marked by decline in operating and profitability margins of the company. The group reported an overall decline in operating margins to 4.75 per cent in FY2019. The operating income stood at Rs.232.28 crore in FY2019 as against Rs.206.61 crore in the previous year. Further, the group has achieved revenue of Rs.160.13 crore for 8MFY2020. Operating margin decline to 4.75 percent in FY2019 from 8.93 percent in FY2020. The decline in operating margins are majorly on account of increase in raw material prices in FY2019 as against in FY2018. Further, the group has achieved operating margins of 5.99 per cent in 8MFY2020. Any further deterioration in the business profile of the company will impinge a negative bias towards the company.

- **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 organized and unorganized 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.

Rating Sensitivity Factor

- Any further decline in profitability
- Deterioration in working capital

Material Covenants

None

Liquidity position: Adequate

The group has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.6.47 crore in FY2019 as against no significant debt maturity

obligation for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.7.50 crore to Rs.10.50 crore during FY2020-22 against as against no significant debt maturity obligation for the same period. The company's working capital operations are moderate marked by gross current asset (GCA) days of 124 days in FY2019. Company maintains unencumbered cash and bank balances of Rs.3.21 crore as on 31 March 2019. The current ratio stands at 1.65 times as on 31 March 2019.

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 and working capital management. Conversely, the outlook may be revised to 'Negative' in case of continuous decline in the group's operating margins, or in case of further deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	232.28	206.61
PAT	Rs. Cr.	5.91	12.96
PAT Margin	(%)	2.54	6.27
Total Debt/Tangible Net Worth	Times	0.66	0.59
PBDIT/Interest	Times	5.68	9.96

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entity - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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
January 16, 2019	Cash Credit	Long Term	8.00	ACUITE BBB/Stable (Assigned)
	Overdraft	Long Term	10.00*	ACUITE BBB/Stable (Assigned)
	Proposed Facility	Short Term	5.00	ACUITE BBB/Stable (Assigned)

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

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	12.00 (Enhanced from)	ACUITE BBB/Stable (Reaffirmed)

				Rs.10.00 crore)	
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB/Stable (Reaffirmed)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BBB/Stable (Reaffirmed)

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About Acuite Ratings & Research:

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