

## Press Release

### Holyland Marketing Private Limited

October 01, 2020



#### Rating Downgraded and Withdrawn

<b>Total Bank Facilities Rated*</b>	Rs.30.00 Cr.
<b>Long Term Rating</b>	ACUITE BBB- (Downgraded; Withdrawn)

\* Refer Annexure for details

#### Rating Rationale

Acuité has downgraded and withdrawn the long-term rating to '**ACUITE BBB-**' (**read as ACUITE triple B minus**) from '**ACUITE BBB**' (**read as ACUITE triple B**) on the Rs. 30.00 Crore bank facilities of Holyland Marketing Private Limited.

The rating is being withdrawn on account of request received from the company and NOC received from the bank. Further, the downgrade reflection in the rating is on account of the decline in profitability and non-availability of current year performance.

#### About the Company:

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 vegetable 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.

#### Analytical Approach

Acuité has considered the standalone business and financial risk profile of HMPL to arrive at the rating.

#### Key Rating Drivers

##### Strengths

- **Long track record of operations and reputed clientele**

The company 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 include 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 the domestic market. The company has built a 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 Budhraja family's extensive industry experience has enabled the company to establish long relations with customers and suppliers. Acuité 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.

- **Comfortable financial risk profile and efficient working capital operation**

HMPL's financial risk profile has remained healthy marked by healthy net worth and strong debt protection metrics. The net worth of the company stood at Rs.30.75 crore as on 31 March, 2020 (Provisional) as against Rs.30.28 crore as on 31 March 2019. The gearing level (debt-equity) stood at 0.91 times as on 31 March 2020 (Provisional) as against 0.79 times as on 31 March 2019. The total debt of Rs.28.01 crore as on 31 March 2020 (Provisional) consists only by working capital borrowings of Rs.28.01 crore. The interest coverage ratio (ICR) stood at 4.74 times in FY2020 (Provisional) as against 7.13 times in FY2019 due to low profitability and high interest cost during the year. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.25 times in FY2020 (Provisional) and 0.33 times in FY2019. Debt

to EBITDA stood at 2.33 times in FY2020 (Provisional) as against 1.93 times in FY2019 due to low EBITDA during the year.

The working capital cycle of HMPL stood moderate marked by Gross Current Assets (GCA) days of 126 for FY2020 (Provisional) as against 120 for FY2019. This is on account of realization of payments from customers marked by debtor days of 55 in FY2020 (Provisional) as against 58 days in FY2019. The inventory holding period stood at 59 days in FY2020 (Provisional) as against 55 days in FY2019. Further, the creditor days stood at 44 days in FY2020 (Provisional) as against 48 days in FY2019. Incremental working capital requirements have resulted in moderate fund based bank limit utilization levels. The average cash credit limit utilization is moderate at ~67 percent during the last six months ended as on July, 2020.

Going forward, Acuité expects the company to maintain its financial risk profile and improve its net worth backed by steady accruals and absence of any major debt-funded capex plan.

### **Weaknesses**

- **Decline in operating and profitability margin**

The business profile of the company has deteriorated marginally in FY2020 (Provisional) marked by a decline in operating and profitability margins of the company. The company reported an overall decline in operating margins to 4.82 per cent in FY2020 (Provisional). The operating income stood at Rs.238.92 crore in FY2020 (Provisional) as against Rs.236.26 crore in the previous year. Operating margin declined marginally to 4.82 percent in FY2020 (Provisional) from 5.20 percent in FY2019. The marginal decline in operating margins is majorly on account of an increase in employee cost in FY2020 (Provisional) as against in FY2019. Further, the PAT margin has also declined to 2.69 percent in FY2020 (Provisional) as against 3.14 percent in FY2019. Any further deterioration in the business profile of the company will impinge a negative bias towards the company.

- **Highly competitive and fragmented industry**

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

### **Outlook:**

NA

### **Material Covenant**

None

### **Rating sensitivity**

NA

### **Liquidity position: Adequate**

The company has adequate liquidity, marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.7.00 crore in FY2020 (Provisional) 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 126 days in FY2020 (Provisional). The company maintains unencumbered cash and bank balances of Rs.4.26 crore as on 31 March 2020 (Provisional). The current ratio stands at 1.48 times as on 31 March 2020 (Provisional).

### **About the Rated Entity - Key Financials**

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	238.92	236.26
PAT	Rs. Cr.	6.42	7.43
PAT Margin	(%)	2.69	3.14
Total Debt/Tangible Net Worth	Times	0.91	0.79
PBDIT/Interest	Times	4.74	7.13

**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>
- Trading Entities - <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/view-rating-criteria-55.htm>

**Rating History (Up to last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
21-January-2020	Overdraft	Long Term	12.00	ACUITE BBB/Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB/Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	14.00	ACUITE BBB/Stable (Reaffirmed)
16-January-2019	Cash Credit	Long Term	8.00	ACUITE BBB/Stable (Assigned)
	Overdraft	Long Term	10.00	ACUITE BBB/Stable (Assigned)
	Proposed Facility	Long Term	5.00	ACUITE BBB/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
Overdraft	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BBB- (Downgraded from ACUITE BBB/Stable and Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE BBB- (Downgraded from ACUITE BBB/Stable and Withdrawn)
Working Capital Demand Loan	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE BBB- (Downgraded from ACUITE BBB/Stable and Withdrawn)

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### About Acuité Ratings & Research:

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