

Press Release

Andrew Yule and Co Limited

April 02, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 125.00 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable (Assigned)
Short Term Rating	ACUITE A4 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short term rating to '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 125.00 crore bank facilities of ANDREW YULE AND CO LIMITED (AYCL). The outlook is '**Stable**'.

Incorporated in 1919 as a private sector company and later in 1979 acquired by Government of India (GoI), AYCL is a public sector entity engaged in the tea processing business. AYCL has 15 tea gardens in West Bengal and Assam. Further, the company has two other divisions, namely, engineering and electrical; where it manufactures transformers, regulators/rectifiers, circuit breakers, switches, industrial fans, tea machinery and does turnkey jobs.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of AYCL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established position in bulk tea market with majority stake held by Government of India**

The company was taken over by GoI in 1979 and currently, GoI has 89.25 Percent shareholding. The status as a government of India company and long track record has helped the company to establish itself among major tea manufacturing company especially in the domestic market. The same is demonstrated by the 10 gardens in Assam including three out-gardens, one being in Darjeeling and five in West Bengal. The company has an average production capacity of 12 million kgs of tea. Further, the company produces different types of tea including CTC, orthodox and organic tea.

- **Healthy financial risk profile**

The above average financial risk profile is marked by healthy net worth and gearing, and comfortable debt protection measures. The net worth continues to remain healthy at Rs.188.87 crore in FY2018 as compared to Rs.175.52 crore in FY2017, the increase in net worth is on account of retention of profit and infusion of capital. Gearing stood healthy at 0.14 times as on March 31, 2018 as compare to 0.20 times in the previous year. The debt protection metrics stood strong reflected from the interest coverage ratio of 6.41 times in FY2018 as against 5.94 times in FY2017. DSCR stood at 5.31 times in FY2018 as compared to 1.40 times a year earlier.

Weaknesses

- **Modest operating margins coupled with dip in realisation**

Modest profitability metrics with operating and net margins of 2.37 percent and 5.36 percent in FY 2018 as compare to 2.93 percent and 7.39 percent in the previous year, respectively. However, during

the current year operating margins are expected to be negative due to lower realisation in tea segment which contributes ~60 percent of the total revenue. The modest profitability margins are mainly due to the two loss making divisions in the form of electrical and engineering. The electrical and engineering divisions accounted for around 34 percent and 7 percent of AYCL's total revenues in FY2018. In FY2018, the engineering division incurred loss of Rs.3.29 crore, while the electrical division reported loss of Rs. 6.76 crore during the year.

• Exposure to volatility in prices and agro-climatic conditions

The company derives ~60 percent of its revenue from tea business which is a seasonal agri-product and the production of same is highly dependent on the monsoon. Therefore, the company is exposed to volatility in prices on account of agro-climatic conditions. Sudden changes such as inadequate rainfall or drought might affect the availability of the crop, pushing commodity prices upwards.

Liquidity Position:

The overall liquidity of AYCL remains healthy marked by net cash accruals of ~Rs.25.73 crore in FY2018 against debt obligation of Rs.0.01 crore. The overall utilisation remained comfortable ~45 per cent during the 4 months period ended February, 2019. However, the electrical and engineering divisions which has been incurring losses have stretched liquidity marked by almost full utilisation of its limit in the last 4 months ended February, 2019.

Outlook: Stable

Acuite believes that AYCL will maintain 'Stable' outlook over the medium term from experienced management and established position in bulk tea business. The outlook may be revised to 'Positive' in case the company registers growth in revenues while improving its profitability. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in revenue and profitability, thereby deterioration in financial risk profile, or if the working capital cycle further elongates.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	357.41	403.85	361.80
EBITDA	Rs. Cr.	8.45	11.85	(2.67)
PAT	Rs. Cr.	19.17	29.84	8.45
EBITDA Margin	(%)	2.37	2.93	(0.74)
PAT Margin	(%)	5.36	7.39	2.34
ROCE	(%)	13.91	22.24	21.35
Total Debt/Tangible Net Worth	Times	0.14	0.20	0.96
PBDIT/Interest	Times	6.41	5.94	2.67
Total Debt/PBDIT	Times	0.68	0.68	3.28
Gross Current Assets (Days)	Days	253	262	280

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	57.87	ACUITE BB-/Stable (Assigned)
Proposed long term facilities	Not Applicable	Not Applicable	Not Applicable	16.57	ACUITE BB-/Stable (Assigned)
FBN/FBP	Not Applicable	Not Applicable	Not Applicable	1.80	ACUITE A4 (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	16.50	ACUITE A4 (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	32.26	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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