Acuite RATINGS & RESEARCH

Press Release

Andrew Yule and Co Limited (AYCL)

June 22, 2020

Rating Reaffirmed

Total Bank Facilities Rated	Rs. 125.00 crore
Long Term Rating	ACUITE BB-/ Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long term rating of **'ACUITE BB-' (read as ACUITE double B minus)**and short term rating of **'ACUITE A4' (read as ACUITE A four)**to the Rs125.00 crore bank facilities of Andrew Yule & Co Limited. 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 primarily 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. It has five operating units in West Bengal at Kalyani, Kolkata and in Chennai, Tamil Nadu.

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 GoI 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 financial risk profile of the company is marked by strong networth, low gearing and comfortable debt protection metrics. The tangible networth of the company estimated at Rs192.67 crore as on 31st March, 2020 (Provisional) as compared to Rs187.95 crore in the previous year. The improvement in networth is on account of retention of profits. The gearing of the company estimated at 0.29 times in FY 2020 (Provisional) as compared to 0.27 times in FY 2019. The total estimated debt of Rs55.31 crore as on 31st March, 2020 (Provisional) consists of only short term debt. The Interest Coverage Ratio (ICR) estimated at 2.62 times in FY 2020 (Provisional) as compared to 3.83 times in the previous year. The Net Cash Accruals/ Total Debt (NCA/TD) are expected to be healthy at 0.22 times in FY 2020 (Provisional) as compared to 0.30 times in FY 2019. The financial risk profile is expected to remain at similar levels in the absence of any major debt funded capex plan.

Weaknesses

- **Working capital Intensive operations**
  The working capital operations of the company are intensive as reflected from its estimated GCA (Gross Current Assets) days of 288 days in FY 2020 (Provisional) in line with 290 days in FY 2019. The high GCA days emanates from high debtor days which are expected to be at 81 days in FY 2020 (Provisional) as compared to 79 days in the previous year. The company's inventory days expected at 60 days in FY 2020 (Provisional) similar with 59days in FY 2019.Further, the working capital limits

remained utilized at 56 percent for 7 months ended March, 2020. Acuité believes that the operations remain at similar levels over the medium term.

- **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.

Rating Sensitivity

- Steady growth in revenue with improved profitability levels
- Improvement in working capital intensity

Material Covenants

None

Liquidity Profile

The company has adequate liquidity marked by moderate cash accruals as against its maturing debt obligations. The company has generated cash accruals of Rs 36.65 crore- 15.58 crore during the period FY 2017- FY 2019 as against maturing debt obligation of Rs0.01 crore in the same period. Further, the company's estimated cash accruals stood at Rs12.23 crore in FY 2020 (Provisional). The Net Cash Accruals/ Total Debt (NCA/TD) are expected to be moderate at 0.22 times in FY 2020 (Provisional) as compared to 0.30 times in FY 2019. The estimated unencumbered cash and bank balances maintained by the company stood at of Rs 17 crore as on 31st March, 2020 (Provisional). The current ratio estimated at 1.78 times in FY 2020 (Provisional) as compared to 1.75 times in FY 2019. The working capital limit remained utilized at 56 percent for 7 months ended March, 2020. Acuité believes that the liquidity of the company is likely to remain adequate over the near to medium term.

Outlook: Stable

Acuité believes AYCL will continue to benefit from its experienced management and healthy financial risk profile. The outlook maybe revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues and profitability metrics from the current levels coupled with improvement in its working capital operations. Conversely, the outlook maybe revised to 'Negative', if the entity's revenue and profitability declines, while the financial risk profile deteriorates owing to increased working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	334.03	310.14
PAT	Rs. Cr.	4.73	8.71
PAT Margin	(%)	1.41	2.81
Total Debt/Tangible Net Worth	Times	0.29	0.27
PBDIT/Interest	Times	2.62	3.83

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-53.htm
- Default Recognition -https://www.acuite.in/view-rating-criteria-52.htm
- Manufacturing Entities-https://www.acuite.in/view-rating-criteria-59.htm

Note on complexity levels of the rated instrument

https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
27-May-2019	Cash Credit	Long Term	57.87	ACUITE BB- /Stable (Assigned)
	Proposed long term facilities	Long Term	16.57	ACUITE BB- /Stable (Assigned)
	FBN/FBP	Short Term	1.80	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	16.50	ACUITE A4 (Assigned)
	Bank guarantee/Letter of Guarantee	Short Term	32.26	ACUITE A4 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	59.37 (Enhanced from Rs 57.87)	ACUITE BB-/Stable (Reaffirmed)
Covid Demand Loan	Not Applicable	Not Applicable	Not Applicable	3.04	ACUITE BB- /Stable (Assigned)
Proposed fund based Facility	Not Applicable	Not Applicable	Not Applicable	27.03 (Enhanced from Rs 16.57 crore)	ACUITE BB-/Stable (Reaffirmed)
FBN/FBP	Not Applicable	Not Applicable	Not Applicable	1.80	ACUITE A4 (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	11.50	ACUITE A4 (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	22.26 (Reduced from Rs 32.26 crore)	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
Pooja Ghosh Head-Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in Pallavi Meher Analyst - Rating Operations Tel: 033-66201215 pallavi.meher@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:
Acuité Ratings & Research Limited (Erstwhile ACUITE Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.