

**Press Release**

**Andrew Yule and Co Limited**

April 23, 2021

**Rating Upgraded & Assigned**



<b>Total Bank Facilities Rated</b>	Rs.125.00 crore
<b>Long Term Rating</b>	ACUITE BB+/ Stable (Upgraded from ACUITE BB-/Stable)
<b>Short Term Rating</b>	ACUITE A4+ (Upgraded from ACUITE A4)

\* Refer Annexure for details

**Rating Rationale**

Acuité has upgraded the long term rating to **'ACUITE BB+' (read as ACUITE double B plus)** from **'ACUITE BB-' (read as ACUITE double B minus)** and the short term rating to **'ACUITE A4+' (read as ACUITE A four plus)** from **'ACUITE A4' (read as ACUITE A four)** on the Rs.125.00 crore bank facilities of Andrew Yule & Co Limited (AYCL). The outlook is **'Stable'**.

The rating upgrade is on account of improvement in the overall business risk profile of the company marked by a steady increase in the operating revenue and considerable improvement in profitability levels. Acuité believes that the entity would sustain the revenue growth and improved profitability going forward, too, resulting in better cash accruals. The higher accruals would, in turn, translate into improvement in their capital structure and debt protection measures.

Incorporated in 1919 as a private sector company and later in 1979 acquired by Government of India (Gol), AYCL is a public sector entity engaged primarily in the tea processing business. AYCL has several 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 profile of AYCL to arrive at the 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 Gol in 1979 and currently, Gol has 89.25 percent shareholding. The company has ten gardens in Assam 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. Acuité believes their status as a Gol company and long track record will continue to support the business risk profile over the medium term.

- **Significant improvement in revenue and profitability margin**

The company's revenues increased to Rs.272.51 Cr. in 9MFY21 (Prov) as compared to Rs.257.22 crores in 9MFY20 (Prov). The increase in revenue is on account of improvement in sales of tea segment driven by increased production levels and higher prices. Prices rose as production plunged due to the coronavirus pandemic and the torrential rains in main tea producing areas. AYCL'S operating margin stood at 10.50 per cent in 9MFY21 (Prov) as compared to negative 0.85 per cent in 9MFY20 (Prov). The improvement in operating profitability as the company started procurement from the manufacturers directly than dealers and due to other cost rationalization measures undertaken by the company, majorly on employee and administrative expenses. Acuité believes that the company's ability to sustain the growth momentum in its revenues and profitability metrics going forward would be key rating sensitivity.

## Weakness

- **Average financial risk profile**

The company's average financial risk profile is marked by high net worth, low gearing and weak debt protection metrics. The net worth of the company decreased to Rs.172.81 crores as on March 31, 2020, compared to Rs.187.95 crores on March 31, 2019 due to losses incurred in FY2020. The company has low gearing at 0.47 times as on March 31, 2020 as against 0.27 times as on March 31, 2019. The debt of Rs.80.55 crores consists of short term debt only as on March 31, 2020. The weak debt protection metrics of the company is marked by Interest Coverage Ratio which stood at negative 0.74 times in FY2020 as against 3.83 times in FY2019 and Debt Service Coverage Ratio (DSCR) decreased to negative 0.65 times in FY2020 as against 3.53 times in FY2019 due to reduction of operating profitability. The NCA/TD(Net Cash accruals to total debt) stood at negative 0.17 times in FY2020 as compared to 0.30 times in FY2019, mainly on account of losses incurred in FY2020. Acuite believes that the financial risk profile of the company would improve, supported by increase in accruals in the medium term.

- **Working capital intensive operations**

The working capital operations of the company are intensive as reflected from its GCA (Gross Current Assets) days of 191 days in FY 2020 in line with 225 days in FY 2019. The high GCA days emanates from high amount of current assets of Rs.61.15 crores as on March 31, 2020. The other current assets consist of balance with government authorities of Rs.20.29 crores, advances to suppliers and staff of Rs.28.53 crores and advance tax of Rs.12.33 crores. The company's inventory days expected at 52 days in FY 2020 similar with 59 days in FY 2019. Acuite believes that the operations remain at similar levels over the medium term.

## Rating Sensitivity

- Improvement of working capital management
- Improvement of financial risk profile

## Material Covenants

None

## Liquidity Profile: Adequate

The company's liquidity is adequate marked by unencumbered cash and bank balances stood at Rs.8.33 crores as on March 31, 2020. AYCL has unencumbered bank deposits of Rs.55.91 crores as on March 31, 2020. The current ratio stood at 1.15 times as on March 31, 2020 as compared to 1.40 times as on March 31, 2019. The company has not availed any loan moratorium but has availed a covid loan of Rs.3.04 crores. However, the company has non cash losses of Rs.13.94 crores in FY2020. Acuite believes that the liquidity of the company will improve, supported by increase in accruals in the medium term.

## Outlook: Stable

Acuite believes that AYCL will maintain 'Stable' outlook over the medium term from established position in bulk tea business and status as a GoI company. The outlook may be revised to 'Positive' in case the company registers substantial improvement in its financial risk profile. The outlook may be revised to 'Negative' if the company fails to achieve envisaged revenue and profitability and its working capital cycle gets stretched or its financial risk profile further deteriorates in the medium term.

## About the Rated Entity - Key Financials

	Unit	FY20(Actual)	FY19(Actual)
Operating Income	Rs. Cr.	299.14	310.14
PAT	Rs. Cr.	(20.51)	8.71
PAT Margin	(%)	(6.86)	2.81
Total Debt/Tangible Net Worth	Times	0.47	0.27
PBDIT/Interest	Times	(0.74)	3.83

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

None

## Any other information

Not Applicable

### Applicable Criteria

- Application of 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. Cr.)	Ratings / Outlook
22-Jun-2020	Cash Credit	Long Term	59.37	ACUITE BB-/Stable (Reaffirmed)
	Working capital demand loan	Long Term	3.04	ACUITE BB-/Stable (Assigned)
	Proposed bank facility	Long Term	27.03	ACUITE BB-/Stable (Reaffirmed)
	Bills Discounting	Short Term	1.80	ACUITE A4 (Reaffirmed)
	Letter of Credit	Short Term	11.50	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	22.26	ACUITE A4 (Reaffirmed)
02-April-2019	Cash Credit	Long Term	57.87	ACUITE BB-/Stable (Assigned)
	Proposed bank facility	Long Term	16.57	ACUITE BB-/Stable (Assigned)
	Bills Discounting	Short Term	1.80	ACUITE A4 (Assigned)
	Letter of Credit	Short Term	11.50	ACUITE A4 (Assigned)
	Bank Guarantee	Short Term	22.26	ACUITE A4 (Assigned)

### \*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs.) Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	14.51	ACUITE BB+/ Stable (Upgraded)
FBP/FBN	Not Applicable	Not Applicable	Not Applicable	1.10	ACUITE A4+ (Upgraded)
Overdraft	Not Applicable	Not Applicable	Not Applicable	11.75	ACUITE BB+/ Stable (Assigned)
Covid Demand Loan	Not Applicable	Not Applicable	Not Applicable	3.04	ACUITE BB+/ Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB+/ Stable (Upgraded)

Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.36	ACUITE BB+/ Stable (Upgraded)
FBP/FBN	Not Applicable	Not Applicable	Not Applicable	0.70	ACUITE A4+ (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BB+/ Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE A4+ (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A4+ (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4+ (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.76	ACUITE A4+ (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4+ (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE A4+ (Upgraded)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	15.28	ACUITE BB+/ Stable (Upgraded)

## Contacts

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## About Acuite Ratings & Research:

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